











PROCEEDINGS

4

OF THE

EIGHTEENTH ANNUAL MEETING

OF THE

Fire Underwriters' Association

*OF THE PACIFIC.*



SAN FRANCISCO, FEBRUARY 20th AND 21st, 1894.

Printed by Order of the Association.

1894.

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Insurance and Banking Printing Co.,  
San Francisco.



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1894-1897

## FIRE UNDERWRITERS' ASSOCIATION



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## REFERENCE BOOK

*Not to be taken from the Library*

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<i>Adjustment of Partial Losses</i> . . . . .	R. W. OSBORN	94
<i>Report of Committees</i> . . . . .		III
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Fire underwriters'  
association of the  
Pacific Proceedings..  
1894-1897.

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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC.

Eighteenth Annual Meeting.

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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC.



### OFFICERS FOR 1893.

PRESIDENT,	-	-	-	-	-	-	STEPHEN D. IVES
VICE-PRESIDENT,	-	-	-	-	-	-	R. V. WATT
SECRETARY AND TREASURER,	-	-	-	-	-	-	R. W. OSBORN

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### EXECUTIVE COMMITTEE.

V. C. DRIFFIELD	W. H. LOWDEN	WM. SEXTON
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### LIBRARY COMMITTEE.

HERBERT FOLGER	H. K. BELDEN	R. C. MEDCRAFT
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CALIFORNIA KNAPSACK, - GEO. F. GRANT, EDITOR.



# Fire Underwriters' Association

## OF THE PACIFIC.



TUESDAY, February 20, 1894.

The meeting was called to order by President Stephen B. Ives, at ten o'clock A. M.

The following members were present:

Geo. F. Ashton,  
A. A. Andre,  
J. J. Agard,  
Frank M. Avery,  
H. K. Belden,  
H. C. Boyd,  
J. M. Beck,  
R. G. Brush,  
A. M. Brown,  
Franklin Bangs,  
W. J. Callingham,  
E. W. Carpenter,  
J. W. G. Cofran,  
H. A. Craig,  
Geo. D. Dornin,  
Jas. H. De Veuve,  
V. C. Driffield,  
S. V. Du Bois,  
A. G. Dugan,

S. D. Ives,  
Franz Jacoby,  
C. Mason Kinne,  
W. H. Lowden,  
L. F. Lamping,  
J. D. Maxwell,  
D. E. Miles,  
Louis Mel,  
J. H. Morrow,  
R. C. Medcraft,  
Geo. H. Mendell, Jr.,  
J. H. McKowen,  
W. O. Morgan,  
T. J. McCarthy,  
R. H. Naunton,  
Peter Outcalt,  
R. W. Osborn,  
T. E. Pope,  
A. G. Ridling,

W. S. Duval,  
 Henry T. Fennel,  
 Wm. Frank,  
 E. P. Farnsworth,  
 B. Faymonville,  
 R. P. Fabj,  
 J. L. Fuller,  
 W. H. Gibbons,  
 Geo. F. Grant,  
 A. R. Gunnison,  
 H. M. Grant,  
 Alfred R. Grim,  
 M. J. Green,  
 O. N. Hall,  
 J. R. Hillman,  
 W. R. Hopkins,  
 W. H. Hill,  
 J. K. Hamilton,  
 H. G. Halsey,

Wm. Sexton,  
 Geo. W. Spencer,  
 Frank H. Swett,  
 B. J. Smith,  
 C. A. Stuart,  
 H. H. Smith,  
 Chas. S. Spinney,  
 B. D. Smalley,  
 Sydney H. Smith,  
 A. F. Sewell,  
 E. L. Thompson,  
 Tudor Tiedemann,  
 John Scott Wilson,  
 D. B. Wilson,  
 A. J. Wetzlar,  
 Rolla V. Watt,  
 I. S. Watson,  
 Louis Weinmann,  
 W. C. Wooley.

## VISITORS.

Mr. Bradford of Atlanta, Ga.,      B. S. Worsely of Astoria, Ore.  
 Mr. Thompson of Denver, Colo.      A. S. Gross, Ellensburg, Wash.

The business of the regular monthly meeting being disposed of, the President spoke as follows:

Mr. Ives.—I take pleasure in introducing to you, gentlemen, visiting friends from a distance, Mr. Bradford, of the Fire Insurance Association, headquarters at Atlanta, Georgia, I believe; and we have with us Mr. B. S. Worsley, of Astoria, Secretary of the Pacific Coast Association of Fire Chiefs. We take great pleasure in welcoming them here. If there are any other visitors present who have been overlooked, I would be glad to have their names.

Mr. Hillman—I take pleasure in introducing Mr. W. J. Clemens Portland, Oregon.

President Ives—We will now listen to the report from the Secretary and Treasurer of the Association.

A Member—I take pleasure in introducing Mr. R. R. Roper, a visitor.

Mr. R. W. Osborn, Secretary, read his report as follows:

### SECRETARY'S REPORT.

*Mr. President and Members of the Fire Underwriters Association of the Pacific:*

GENTLEMEN:—In pursuance of the requirements of the constitution I beg leave to render the following report, ending February 19, 1894.

At the commencement of my term of office, there were one hundred and eighty-two members. At that meeting and during the year there have been admitted twenty-four new members, making a total membership of two hundred and six.

This membership has been decreased by three deaths, seven resignations, and eleven that were dropped from the roll for nonpayment of dues and in pursuance of a recent resolution.

This leaves a net and active membership of one hundred and eighty-five.

The honorary membership has been increased three, making such list seventeen, or a total membership, active and honorary, two hundred and two, omitting of course the five members elected at the meeting this morning.

Death has taken from us during the past year, Isaac Manheim, Chas. W. Dohrmann and Herbert L. Low.

We have held nine meetings during the year and three special meetings. The average attendance has been twelve.

At one of our meetings, a resolution was passed, vacating the rooms and accepting the proposition of the P. I. U. to occupy the assembly rooms of the Union. Action however has been deferred owing to a request from Mr. Haven, pending further consideration of the subject.

Respectfully submitted,

R. W. OSBORN, Secretary.

Which, on motion, being duly seconded, was accepted and placed on file.

The Treasurer's report was also read, received and placed on file.

### TREASURER'S REPORT.

*Mr. President and Members of the Fire Underwriters Association of the Pacific:*

GENTLEMEN:—I beg leave to present my report as treasurer, for the fiscal year ending February 19, 1894.

	DR.
Cash on hand . . . . .	\$ 40 91
Received from dues . . . . .	902 50
Received from admission fees . . . . .	105 00
Received from sale of badges . . . . .	46 00
Received from sale of proceedings . . . . .	17 00

\$1111 41

	CR.
Banquet Com . . . . .	\$ 6 15
Salary, E. Niles . . . . .	100 00
Reporting proceedings . . . . .	59 00
C. C. Hines, Monitor, &c . . . . .	27 70
Printing, Stanley & Co . . . . .	48 50
Binding, Althof & Bahls . . . . .	11 75
Taxes, 1892 . . . . .	16 49
Taxes, 1863 . . . . .	12 36
Printing, H. S. Crocker . . . . .	55 00
Library Com . . . . .	41 85
Mem. books . . . . .	1 30
Spectator . . . . .	5 50
Special circular and addressing envelopes . . . . .	6 00
Printing, &c., Payot, Upham . . . . .	24 91
W. C. Brown, printing . . . . .	415 00
Framing map, Sanborn Vail & Co . . . . .	2 85
Year book . . . . .	5 00
Carpenter work . . . . .	1 75
Rubber stamp . . . . .	1 75
Electro plate "song." . . . .	10 00
Clements digest . . . . .	6 50
C. C. Hine, Law Journal . . . . .	2 50
Engrossing resolutions . . . . .	5 00
Badges, J. Marshall . . . . .	46 00
Postage, (year) . . . . .	13 40
Expressage on proceedings, &c . . . . .	5 95
Keys . . . . .	1 75
Telegrams . . . . .	1 10
Printing, E. Hughes . . . . .	24 50
Podesta & Chiappari, floral . . . . .	30 75

Addressing and delivering notices, &c . . . . .	27 50
Addressing, 3 special meetings . . . . .	7 50
Exchange on checks . . . . .	80
Repairing lock . . . . .	75
Printing, Stanley & Co . . . . .	21 00
	<hr/>
	\$1047 86
In bank as per tag . . . . .	\$63 55

Respectfully,

R. W. OSBORN, Treasurer.

Mr. Carpenter—I rise to explain one matter. I paid for the electroplating and printing of my song. I want it understood that the song was gotten up entirely at my own expense and without drawing from the funds of the Association. There were some who wanted to have it in a reduced form for publication, and proceeded to get it out at their own expense. I would not like to have it get abroad that I charged the Association for printing my song.

Secretary Osborn—I would explain that Mr. Carpenter had nothing at all to do with this matter. We wished to embody the music as well as the words in the proceedings, and negotiated with Mr. Neal of the Pacific Underwriter, who had the electroplate, and we got it for ten dollars. Mr. Carpenter had nothing to do with it, and in fact, when he learned of it, was opposed to it.

President Ives—I think Mr. Folger is not here; is there any member of the Library Committee present?

Secretary Osborn—I don't think so; neither Mr. Medcraft nor Mr. Belden.

Mr. Carpenter—That might be deferred.

President Ives—Will you have the Secretary read it?

Mr. Carpenter—If the report is on file.

Secretary Osborn—Yes, it is on file.

President Ives—The secretary will read the report of the Library Committee. (Reads):



## REPORT OF LIBRARY COMMITTEE.

PORTLAND, February 17, 1894.

*To the President and Members of the Fire Underwriters' Association of the Pacific, San Francisco, California:*

GENTLEMEN: The Library Committee have pleasure in reporting that our Association library is in a more flourishing condition than at any time for several years. All that is needed to place it on a level with the best insurance library at present known to us, is an adequate annual appropriation. The catalogues of similar libraries abroad show that we have made more progress than most of them; and the only library in this country which has reached the highest standard, is in Boston, where an endowment fund of \$5,000 has been provided and a corporation organized for the maintenance of an insurance library.

During the past year correspondence has been continued and some three hundred letters sent out by the Chairman. At the last annual meeting the Association voted \$100 out of the surplus funds for the use of our committee, but the most of this was required to cover expenditures during the preceding year, and your committee have not felt at liberty to make extensive purchases. A financial statement accompanies this report, from which will be seen that the committee have expended \$11.75 for binding, \$48.25 for various works and reports, and \$16.40 for the incidental expenses of the committee, making \$76.40 in all as compared with \$69.55 during the preceding year. We request that the incoming treasurer be authorized to reimburse the Chairman to the extent of \$45.15, excess of payments over receipts, as shown by the statement referred to.

It was the intention of our committee to make material improvements and additions during the past year, but scarcity of funds prevented. We have therefore contented ourselves, aside from the purchase of a few books of special importance, with accumulating pamphlets and papers of interest at little or no expense. There are now several hundred of these in the hands of your committee and they will be placed on the shelves in pamphlet boxes in conformity with the plan adopted by the Insurance Library Association of Boston, during the coming year. It is also our wish to see a number of insurance reference works added, a list of which will be furnished to our successors. Our experience leads us to believe that, say, \$25 per annum should cover the incidental expenses of an active library committee, and that a further \$35 would pay for regular insurance publications other than periodicals, which should be added to the library annually. The leading insurance journals have been supplied to us without expense for two years and the publishers appear willing to continue this course until our condition is more prosperous. It is a mistake, however, to suppose that our work should end here. There are technical, legal and other works published both in this country and abroad which are not in our possession and would be valuable. Whenever further appropriations are made, an active library committee can use them readily.

Since the last meeting a special effort has been made to procure statistics of fire losses in the larger cities of the United States, and from the collection of reports received it is expected a paper will be prepared for our annual meeting in 1895.

Besides continuing correspondence with various associations in the Eastern States and Great Britain, we have established friendly relations with several new ones, including the Insurance Institute of Manchester, Auckland Fire Insurance Association, New Zealand Fire Underwriters' Association, Insurance Institute of New South Wales, Fire Underwriters' Association of Victoria and the Insurance Institute of Victoria. The Chairman of this committee has been elected an honorary corresponding member of the last named society.

Our twentieth annual meeting will be held in February, 1896. We recommend that the new Library Committee be instructed to arrange for the preparation of a Blue Book of this Association, which shall contain a complete catalogue of the library, a list of all the members from the beginning of the Association, with appropriate references to those deceased, and an index to our Association reports up to and including the twentieth. Such a book could include other interesting matter and would appropriately celebrate our success. Some time would be required for the preparation of a complete list of members, giving dates of election, resignation, etc.

We recommend that the thanks of the Association be extended to the publishers of the Coast Review, Pacific Underwriter, Monitor, Weekly Underwriter and Standard for continuing to forward their valuable papers without charge. Also to Mr. E. H. Porter of the Inspection Bureau for kindly looking after the filing and binding of periodicals during the year. Also to the various associations from which material for the library has been received, and that this committee be authorized as heretofore to forward copies of our proceedings to them without charge.

Respectfully submitted,

HERBERT FOLGER, Chairman.

*The Fire Underwriters' Association of the Pacific*

*In Account with the Library Committee.*

To incidental expenses, 1892-93 . . . . .	\$36 35	
To purchases of books, etc., 1892-93 . . . . .	33 20	
By cash from R. W. Osborn (\$27.70 and \$41.85) . . . . .		\$69 55
To postage, etc., 1893-94 . . . . .	10 80	
To expressage, 1893-94 . . . . .	5 60	
Duty on foreign publications . . . . .	1 00	
Spectator Co., old balance . . . . .	5 50	
C. C. Hine, back numbers . . . . .	2 50	
Electrical Periodicals . . . . .	1 00	
Association reports, etc., . . . . .	8 50	
Statistical works . . . . .	15 00	
Legal works . . . . .	6 50	
Insurance works of reference . . . . .	8 25	

Binding periodicals . . . . .	11 75	
By payments through R. W. Osborn . . . . .		31 25
By balance due chairman . . . . .		45 15
	<u>\$145 95</u>	<u>\$145 95</u>

PORTLAND, February 17, 1894.

HERBERT FOLGER, Chairman.

Mr. Grant—I think it would be in order to appoint a committee of three to report on the Library Committee's report and the suggestions contained in them. I move that a committee be appointed.

Mr. Driffield—I second the motion.

Mr. Carpenter—Mr. President, it seems to me that the succeeding Library Committee would be the proper one; the one elected to succeed this committee. They will simply carry on the work and act on the suggestions of the present committee. That would fill the bill.

Mr. Driffield—Mr. Carpenter, there is a recommendation regarding a payment of the balance, and recommendation of the payment of certain amounts of moneys for different propositions during the year. Hitherto it has always been the practice to refer the report of the Library Committee to another committee to be reported on, and the report is read prior to the election of the Library Committee.

Mr. Carpenter—I didn't understand that this committee was to report at this session.

Mr. Driffield—Oh, yes.

Mr. Grant—My idea in making the motion was that the recommendation could become part of the voice of the meeting, and would be in the nature of advice to the succeeding committee.

President Ives—Are you ready for the question? It is moved and seconded that a committee of three be appointed. All those in favor say aye. The motion is carried. How will you have the committee appointed?

A Member—By the Chair.

President Ives—If there is no objection, the Chair will appoint on this committee Mr. Grant, Mr. Driffield—



Mr. Driffield—I decline.

The Chair—Mr. Carpenter and Mr. Outcalt. The committee will be able to report, probably, before the close of the meeting to-morrow.

Mr. Driffield—To-morrow afternoon's session.

Mr. Outcalt—Mr. President, will you kindly excuse me from the committee? I am busily engaged.

Mr. Carpenter—It won't take ten minutes.

Mr. Outcalt—Oh, well, I will give you half an hour.

President Ives—If you can devote the time we should be pleased to have you.

Mr. Outcalt—All right.

Mr. De Veuve—I would like to introduce Special Agent Green of the Continental Insurance Company and Mr. Lachelle.

Mr. Driffield—The report of the Executive Committee is ready.

President Ives—We will listen to the report.

Mr. Driffield reads.

#### REPORT OF EXECUTIVE COMMITTEE.

MR. PRESIDENT AND GENTLEMEN: Your committee have examined the books and vouchers of your Secretary and Treasurer for the fiscal year just ending, and the same have been duly audited and found correct. The Secretary's report presented at our last annual meeting showed a cash balance on hand and in bank amounting to the sum of \$40.91; the receipts during the current year have amounted to \$1,070.50. and the expenditures to \$1,047.86, leaving on hand at this date \$63.55.

Of the above amount of expenditures the sum of \$222.30 was on account of indebtedness incurred prior to the current year, and it is with pleasure we can state that at the present time there is but a single bill outstanding, amounting to \$14.75, and incurred during the previous year, and remaining unpaid for the reason that your Secretary is unable to pass upon the correctness thereof. It will be seen that, while the balance at present on hand is but slightly in excess of that brought forward from last year, we have gone ahead financially to the extent of a trifle more than the amount expended during the year on account of indebtedness incurred during the previous one. In view of the fact that the Association has incurred no expense whatever in the matter of rent during the current year, the result shown is scarcely a matter for congratulation, and the chief reason for this state of

affairs is apparent when you learn the fact that, while we spent the sum of \$415 in editing the report of last year's proceedings, we received but the paltry sum of \$17 on account of sales of such reports.

Our active membership a year ago numbered 182, and now stands at 185, a much less increase than that anticipated, as, although we received an accession to our ranks of 24 new members during the year, we lost, by death, 3 members, by resignations 7, and by being dropped from the rolls for non-payment of dues the large number of 11, a loss of 21, as against a gain of 24. The dues for the current year have been collected in all save two instances, in which disputes exist as to payment, and which will undoubtedly be satisfactorily arranged ere long. The committee would, however, urge upon the members the necessity of a more prompt response to the calls of the Association for the payment of dues, as the Secretary has been harassed by creditors who have been obliged to wait for their money beyond all reasonable limits on account of dilatoriness of members in the payment of their dues.

The honorary membership of the Association was increased during the year by the election of three new members—Messrs. F. A. Porter, J. F. Houghton and H. H. Bigelow.

Nothing definite has as yet been determined in regard to our continued occupation of the present quarters, and we are still merely tenants upon the sufferance of the Pacific Insurance Union. It may be as well to let sleeping dogs lie, and to make no effort looking to an exact understanding upon the subject, but it is to be trusted that, in any event, we may see our way clear to the retention of the rooms.

In the event of our being called upon in the future to pay rent it will be necessary to so increase our receipts or lessen our expenditures as to enable us to meet such increased obligation, and in view of the most unsatisfactory results from the sales of the reports of our last annual proceedings, we suggest that you consider the advisability of making a charge of, say, 50 cents per copy for each and every copy furnished to the members.

This small fee would entail no hardship and would enable us to materially reduce the annual tax upon the funds of the Association by reason of the expense of publication of its annual proceedings.

The library fund of the Association has benefitted considerably by the expenditures during the year, and it is to be trusted that the intelligent work of the Library Committee may receive what pecuniary assistance it requires during the ensuing year.

The duties attending the office of Secretary and Treasurer have been performed with efficiency and zeal during the current year, and it is to be hoped that the Association may be able to retain the services of our present officer during the ensuing term.

Respectfully submitted,

V. CARUS DRIFFIELD, Chairman.

President Ives—If there is no objection, the report will be received and placed on file.

Mr. Driffield—There are recommendations there that a committee should be appointed. We have made certain recommendations in the report which might receive attention from a committee, if you would make such a motion.

Mr. Gunnison—I move it be referred to some committee.

President Ives—It would simply save the work of two committees and it would require about the same attention if the Library Committee will accept the same appointment, and also act and report upon the suggestions of the Executive Committee. I will ask them to do so. Silence gives consent, and we will assume that they take their new duties.

Mr. Carpenter—I would like to see the honors a little distributed.

Mr. Gunnison—While the question is warm, I would suggest the payment of about a dollar for each copy of the proceedings. I think it would be well to charge each one a dollar to cover the expense of the publication. I understand it is only half of the expense.

President Ives—Would that come properly within the purview of the committee?

Mr. Gunnison—I just made the suggestion.

President Ives—There seems to be no desire to take any particular action, and we will leave it to the committee. There is one thing I would like to say, however, while it is fresh in my mind: It is the collection of dues. There has been a great deal of trouble in the last year in the collection of dues, and I have no doubt that our friend Osborn has encountered difficulty in collecting these dues, and been to a considerable expense, and as you well know, the Association cannot afford to expend anything more than necessary. There are some amendments proposed with reference to that particular thing. The dues should be paid within thirty days, and if they run over thirty days, say to sixty, they should become delinquent and the names of such members should be dropped from the roll.

Mr. Carpenter—I think perhaps it would be agreeable to the members one and all, as well as to the Secretary and Treasurer, if we come prepared to-morrow afternoon with our five dollars and plank it down. I know I would be glad, and there are many others; I think all would. You can have the receipts ready and hand them to us when we come in.

Mr. Kinne—In regard to the remarks made, as arguments, in regard to influencing the committee to report in favor of paying for the proceedings, one dollar or a larger sum. I think it all wrong. Many of you may think it is all right, but I think it ought not to be done at all. The only means of communication you have with your absent members—we have 185 and there are only 85 here—and the only thing they get out of their five dollars, is the reading of the reports, and if you are going to tax them fifty cents or a dollar more you will probably have less members next year than you have to-day.

Mr. Carpenter—The recommendation is that it be referred to a committee. My idea is the same as Col. Kinne's—that the dues carry the right to receive one copy of the report of the proceedings. At the same time I say it can be arranged when the committee reports.

President Ives—If there is nothing further to be said in reference to this question of reports, the President will take the liberty of addressing the Association, following out the time-honored custom of others who have gone before him. (Reading):

#### PRESIDENT IVES'S ADDRESS.

Gentlemen of the Fire Underwriters Association of the Pacific, it affords me great pleasure to welcome so many members and friends of this Association to our eighteenth annual meeting.

Occasions like this serve as mile-stones along the insurance highway by which we can measure our progress, and where we may rest a little to exchange ideas of past events and renew our friendly relations for the future. As our physical system gains strength by exercises, so too do our mental powers increase with use, and I think each member of this association gets a wider knowledge of the insurance business and obtains a stronger hold upon its principles by attending these meetings. For profit, or for improvement, only the present is ours. Time does not linger in its flight, nor does the current of events turn backward.



## DEATH.

During the last few months, death has stricken from our rolls the well known name of Isaac Manheim, Herbert L. Low, and Chas. W. Dohrmann. The records of their lives are closed, and their voices are silent, but memory still gives them a place among us. A few of our former members have resigned during the past year, but others have been elected to fill their places, so that the association now maintains about the same numerical strength as heretofore. There are, however, a number of special agents, general agents and managers of companies who are still out of our ranks. Can we not enroll them as members, thus benefitting them and strengthening the association?

## AMENDMENTS.

Assuming that there is strength in union it naturally follows that enlarging the union augments its strength, and "from the signs of the times" such harmonious relations as exist among members of the Fire Underwriters' Association of the Pacific may prove particularly valuable in the near future.

At our last annual meeting, amendments were adopted to article 9 of our constitution and to sections 4 and 6 of its by-laws with reference to meetings, to election of members, and to the writing and publishing of papers for annual or for regular meetings. Since then members of the association have objected to some of those amendments, claiming they were not calculated to advance our interests, and that they were not adopted in accordance with the constitution and by-laws. As this division of opinion concerning such important questions has delayed and impaired the work of the association during the past year, it is to be hoped some solution of the difficulty may be agreed upon before this meeting is finally adjourned.

The first quarterly meeting of the Association last year was held in May, according to the constitution as amended at the last annual meeting in 1893. Owing to discussions that then arose with reference to those amendments, and to the apparent difficulty of electing new members in accordance therewith, that meeting was adjourned to the third Tuesday in June, and has been so adjourned from month to month until the present time. Since May, 1893, new members have been elected by a two-thirds vote of the members present each month at the adjourned quarterly meeting, and when possible to do so, have also been elected by vote of the election committee provided for by last year's amendments to the by-laws. These difficulties should be obviated so that the Association may be enabled to work harmoniously for the general advancement of our profession. If little has been accomplished during the past year, more should be done during the coming one, and certainly there is no lack of errors and abuses in our business which might profitably engage our attention.

## DEMORALIZATION IN FIRE UNDERWRITING.

Each year demoralization of the insurance business becomes more marked, fire losses increase, and surplus funds shrink in the most alarming manner.

This unfortunate state of the business is largely due to excessive competition which has gradually resulted in removing too many of the safeguards that formerly protected our contracts. The Pacific Coast is one of the few divisions of the United States that pays a profit to underwriters. It is therefore of the utmost importance not only to the companies but to their managers here, that each member of this association should at all times seek to maintain adequate rates, to reduce unnecessary expenses, and to encourage correct practices in all the details of our business.

The FireUnderwriters' Association of the Pacific has, since its inception, been recognized as an important factor in the insurance business of this Coast, and it is for you, gentlemen, to continue its admirable record of the past. With this end in view, your attention should be given at an early day to questions concerning fire losses, co-insurance, mortgage clauses and possibly schedule rating.

#### TOO LIBERAL SETTLEMENTS.

A large proportion of the fires result in losses that are less than 20 per cent. of the amount insured. Such claims are too often settled (not adjusted) in a careless and liberal manner that, in the aggregate, unjustly deprives the companies of a vast amount of money each year. The more important individual losses are also frequently slighted in details of adjustment. There was a time, perhaps, in the early history of this Coast, when general estimates, profanity, and firearms were recognized as legitimate means for determining fire losses. At that time rates were high, profits from underwriting were large, and the companies could better afford to follow the careless customs of the country than they can now. Those golden days (or days of gold) have long since passed, and the adjustment of fire losses should now receive as careful attention on this western slope of the Sierras as it does in districts further east.

#### CO-INSURANCE.

Co-insurance is another important matter that has heretofore received insufficient attention outside of our marine contracts. From its advantages might be hoped for in fire policies, which a mere increase of rate does not seem to offer. It is a well known fact that increased cost for even the necessities of life results in less demand for them, and that lower prices for such articles lead to their more liberal use. Insurance has become a commercial necessity, but the demand for it is nevertheless governed to a considerable extent by the rate. If rates increase, the amount covered on the choicest risks of their class will doubtless be reduced, because it is, generally speaking, the owners of the most desirable business who can afford to carry a large proportion of their own insurance, and who are the most easily induced to do so.

Liability to total loss under many of our policies would then be greater than before, and not only our ratio of *loss to insurance*, but our ratio of loss to *premiums* would probably soon show an increase in the better class of business. The more hazardous risks, and property belonging to people who

anticipate a fire, would doubtless pay a little more premium at a higher rate, as full insurance is always demanded on that class of business, but the advantage, if any, to companies from advanced rates would in all probability be less than many underwriters anticipate.

If the above reasoning is correct, it certainly seems that co-insurance might be used with much better results than could be expected from an advance in rates. The co-insurance clause could be graded in a manner that would leave the assured full option as to the value he might wish to protect by insurance, and a sliding scale of rates might apply about as follows, viz:

With 50 per cent. co-insurance clause, add ten per cent. to the established rate. With 60 per cent. co-insurance, charge simply the established rate. With 70 per cent. co-insurance clause, deduct ten per cent. from the regular rate. With 80 per cent. co-insurance clause, deduct twenty per cent. from the regular rate.

To such graded co-insurance clause there might be added on some classes of hazards, if not on all, a graded loss clause, ranging from sixty to eighty per cent., according to the requirements of the case. Thus we return to the first proposition, that co-insurance is an important matter—a subject worthy of your consideration.

#### THE MORTGAGE CLAUSE.

With reference to the printed mortgage clauses so commonly used, we all know that many of them are merely amendments to our contracts with the assured, increasing the hazard without additional premium, and waiving most of our rights under the conditions of our policies. Some form of mortgage clause should be required embodying at least the right to cancel by giving ten days' notice to the original mortgagee, and in case of loss, to subrogation of the mortgagee's rights, and the contribution of all other insurance on the property whether valid or invalid. The present forms of mortgage clause are a great and growing menace to underwriters, and reform should be demanded.

#### SCHEDULE RATING.

The question of schedule rating should also have our attention. If this method of rating could be universally applied, we should soon notice a marked improvement in the construction of buildings, and a corresponding reduction in the percentage of loss to value under our policies; but so long as structural defects are overlooked by companies in establishing rates on buildings, the owners of such property cannot be expected to invest much money for its improvement. This question is being generally considered by underwriters throughout the Eastern States, and we should be ready to intelligently receive such innovations as may arise from schedule rating, whenever it is adopted on this Coast.

As a fitting conclusion to my brief remarks I wish to thank you, gentlemen, for the continued interest you have shown in the proceedings of our

Association during the past year, and for personal favors and assistance rendered me while I have had the honor of being your presiding officer.

(Applause.)

Mr. Dornin—Mr. President, I suppose we shall adjourn presently and meet again this afternoon. I would like to say that there are a number of suggestions in the President's paper which I think of vast importance. I would like to see the incoming President take up the topics and appoint committees to make out reports. There are several things in my own experience, as referred to by the President, of vast importance, particularly the three-quarter value clause on stocks liable to depreciation, country store risks, etc., risks in unprotected cities; and it seems to me a question now of more importance than ever before, and I would like to see these things referred to special committees to report upon, so that we may move along as fast as possible.

Mr. Carpenter—I second the motion.

Mr. Kinne—It seems to me that the appointment of a committee will succeed in burying the thing in the sea deeper than McGinty ever was. You know the slim attendance that we have at our monthly and quarterly meetings, and the valuable suggestions of the President, it seems to me, should be considered here and not referred to a committee, and that committee supposed to report in one or two months and never report at all. It seems to me we ought to discuss it at the meeting here to-day or to-morrow, or whatever time may be set aside for it.

Mr. Carpenter—I move as substitute for Mr. Dornin's motion that a committee be appointed to report at this meeting to-morrow, and as the President may have some diffidence in appointing a committee to consider his own report, I make the suggestion that Mr. Dornin, Col. Kinne and Mr. Sexton be that committee.

Mr. Kinne—No. There seems to be no necessity, Mr. Chairman, to have a special committee to report on your address, as it is before the whole organization—before the members present. We can talk and think about it and then the matter can be brought up at the proper



time and be considered and discussed, if you might term it in that way, as to the propriety of those suggestions. A committee can then be appointed of three of the past officers of this Association and report some time to-morrow.

Mr. Gunnison—As usual, I like to agree with Brother Kinne, and do in this instance. I don't think there is any need of appointing a special committee. It can be discussed among the members. I don't see that the committee could recommend anything but what you have recommended.

Mr. Carpenter—I don't like to speak often, but my idea is that the committee might get their ideas crystalized into, perhaps, certain different forms and then submit them to the meeting, and they could be taken up and discussed—have some particular form so we could talk about it.

Mr. Kinne—My idea is this: I did not think the committee could report so early—could not have a chance to discuss the matter fully. It seems hardly fair to expect them to make a report within twenty-four hours. We can discuss the matter fully here, and then if there is anything that seems necessary to refer it to a committee it can be done. I move as an amendment that the appointment of a committee be laid over until after the new business and we have had a chance to discuss the thing, and then appoint such committees as are necessary.

Mr. Gunnison—I second the motion.

President Ives—Is Mr. Carpenter's motion seconded?

Mr. Carpenter—I think not.

Col. Kinne—My motion is that the appointment of a committee, as outlined by Mr. Dornin, be laid over until after the discussion of new business, and then a committee appointed—not now.

Mr. Driffield—Mr. Carpenter's motion was seconded, Mr. President.

Mr. Kinne—If the motion was made and named me on the committee I certainly would not desire to serve as one of them. I think he

named the committee. I don't think it is the proper thing, and I am not inclined to serve.

Mr. Carpenter—I rise to a question of privilege. There is no reason why the committee is not proper. I would like to know where I am at fault. The President has some delicacy in appointing a committee to consider his own report.

Mr. Kinne—There is no parliamentary law for it, but it is all right.

President Ives—The Chair is in doubt of just what motion is before the house.

Mr. Grant—I understood Mr. Carpenter to say that he made a motion as a substitute, not as an amendment.

President Ives—The Chair is in doubt whether it was Mr. Dornin's motion or Mr. Carpenter's motion. If Mr. Kinne withdraws his amendment to the amendment, we will consider Mr. Carpenter's amendment. I don't know whether Mr. Dornin accepted it or not.

Mr. Kinne—I did not withdraw my amendment, or substitute, or whatever you call it. If my name appears in the motion, as stated by Mr. Carpenter, and I have to be one of the committee, I have not the time to attend to it. I don't want to be put on it. I am perfectly willing to perform any duty that is required, but what I want to get at, is to have the younger members called upon to do the work.

President Ives—If I understand the question, it is that a committee of three be appointed.

Mr. Kinne—A committee consisting of three to consider the suggestions contained in the President's address, with a view to reporting some definite form for action and place the same before us tomorrow afternoon—is that correct?

Mr. Carpenter—I am satisfied to omit the names.

President Ives—Those in favor of the suggestion, or the motion, please signify it by saying aye—

Mr. Dornin—That is the substitute for my motion?

A Member—Yes.

The motion was carried.

Mr. Gunnison—I would suggest in regard to speeches being scattering, and so forth, that the members come loaded with argumentary cartridges that will not scatter.

President Ives—As I understand it, there is no committee appointed to consider this question. How will you have the committee appointed?

Mr. Dornin—I move that we adjourn and appoint the committee this afternoon.

Carried.

Adjourned.

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## AFTERNOON SESSION.

2 P. M.

The President announced his appointment of the following committee to consider the recommendations in the President's address: W. H. Lowden, B. D. Smalley and William Sexton.

Mr. Franklin Bangs was invited by the President to read a paper on "Classification" and was requested to "occupy a small pulpit" which had been provided as a reading desk.

Mr. Bangs in taking his position as requested, said:

Mr. President and Gentlemen:—This is the first time I have had the honor of occupying a "pulpit." I hope I shall be able to fill the situation with honor to myself and advantage to my hearers.

From my observation I know it to be customary to preface an effort of this kind with an apology. I can make an apology in all sincerity and truthfulness by saying, that not much can be expected from me on this occasion. This from the fact that my paper was written, at the request of our President, very hurriedly, and to take the place of one which had been promised by a gentleman who has

been detained out of town. I regret as much as you do that he could not be here.

Mr. Bangs reads:

#### NECESSITY OF CLASSIFICATION BY THE PACIFIC INSURANCE UNION.

In almost all classes of business the seller takes the cost price of his goods as a fixed basis on which to figure his transactions, but the very nature of our business precludes us from obtaining any permanent or reliable data on which to base our rates. At best, our efforts in this direction are unreliable and inferential, and for this reason it is our duty to the companies which we represent, and justice to the public from whom we exact these rates, that every effort in our power be made to so adjust them that each risk shall pay as nearly as possible the rates which its hazard justified, but how to reach this result is a subject that is worthy of far more consideration at the hands of the insurance fraternity on this Coast than it has received.

It seems to me that a careful, systematic and scientific classification of the risks on this Coast is a subject for the Pacific Insurance Union second only in importance to the maintenance of them. Last year there was a committee appointed from this association for the purpose of securing some action from the Pacific Insurance Union towards such a classification within its jurisdiction, but how much it has been able to accomplish I have not yet learned, but sincerely hope the committee will be prepared to make a favorable report at this meeting.

#### TARIFF RATING.

Two systems of rating are now in force by the Union. First, what is called tariff rating? This system with us was conceived in guesswork, nurtured in ignorance, and has developed into an absurdity. There are none who respect it; few who accord it the consideration due to age, or who apologize for its existence. It is obviously inaccurate in its basis, absurd in its deficiency charges, cumbersome in its application and unreliable in its results. Its rates are totally insufficient as applied to some sections, and little short of robbery of the assured as applied to others. It has not the confidence of the companies, and the respect shown it by the agent is in inverse proportion to his understanding of it. While it was based on guess-work thirty years ago, yet I am satisfied no Yankee did the guessing. Little effort has since been made to improve it or adapt it to the changed conditions which time has developed.

#### SCHEDULE RATING.

The other system of rating, schedule rating, is worthy of as much praise as the former is of condemnation. Under the Pacific Insurance Union it is



being carefully and intelligently developed into what rating should be—a science. While it has still much to accomplish, it has given, so far, more satisfactory results than have ever been attained on the Coast, and it is unfortunate that more attention has not been given to familiarizing the field men and the community with the details of the system, for so long as the assured can be made to feel that his ratings are based on the intelligent application of experiences, even though he has not the faintest understanding of it, he will be far better satisfied than if he feels, as he too often does, that his rating is the arbitrary action of a monopoly.

The one great defect in this system is the want of reliable data, based upon actual experience of the companies themselves, upon which to base the "key rate" and "exposure charges," and for this reason a united classification of the business of all the companies on the Coast is indispensable. For how much of our confidence can these schedule rates have when we know that the basis on which they are formed is purely arbitrary? Carefully as they are adjusted and intelligently as developed, they can never have our confidence so long as the basis on which they are established is only a hypothesis, and I cannot help feeling that much time and labor is being wasted on a valuable theory for the want of some practical information, for we know an ounce of experience is worth a pound of theory.

#### THE COAST BUSINESS.

The annual premiums from this Coast are now about \$12,000,000, and the classification of even one year on so large a sum could not but be very valuable, and while it would not be sufficient information on which to base a tariff, it might furnish information that would upset many of our cherished theories, and if continued for five years it would furnish the best basis for a tariff the insurance companies have ever had, and would assure the permanency of the Pacific Insurance Union by making it indispensable. By being able to annually readjust its rates in any town, or on any class of risks, on such a large experience as this, it would make it undesirable, if not impossible, for any company to exist outside of the Union.

We know that the proposition for the Union to assume this work will be objected to for several reasons. Many companies on this Coast have a classification of their business extending over many years and compiled with great care, and to which they pretend to attach great importance, and yet we feel safe in saying that not one of these companies has sufficient confidence in its results to be governed in any respect by them, unless, perhaps, it is to decline altogether certain "special hazards." So long as the Pacific Insurance Union fixes rates, it is impossible for these companies to utilize their classification, and in event of suspension of rates, our recent experience has shown us that they would in nowise be governed by them.

#### WHOLESOME RESTRAINTS.

Others object on the ground that it would be giving men, comparatively new to the business, the benefit of their wide experience; but

these gentlemen should remember that in event of dissolution of the Union their danger is not from each other, but from the wild and reckless writing of these same men, who have no experience to guide them, and who sacrifice rates in total ignorance of the limit to which they could afford to go. While they might eventually be driven from the field, yet the business would be left in a deplorable condition, and it would be infinitely better to give them the benefit of an experience which might restrain them. Experience would still give the educated underwriter an advantage, which would make the difference of profit or loss in competing on the same basis.

#### INDIVIDUAL CLASSIFICATION.

That the classification kept by the different companies on this Coast is of little value in establishing their rates is shown by the wide discrepancies and results of the classifications kept by companies conducting their business on comparatively close lines. I have before me the classification for ten years of two companies doing a very large business in this Compact district, and the results are interesting.

Taking dwellings, for instance, which, owing to their great number and their freedom from conflagration hazard, should show a very close ratio in both companies; but we find that the loss ratio of one company is 40 per cent less than that of the other on this class, and we find the long term risks of one showing a greater profit than its annual business on the same class. With these discrepancies, we need not be surprised at finding the difference vastly greater in other classes. If the aggregate results of the companies' classifications are so unsatisfactory, how much more so would be its experience as applied to sections?

#### EARLY EXPERIENCE NO LONGER VALUABLE.

The experience of a company of twenty years is of no more value than its experience for five years. The changed mode of constructing buildings, the increased fire protection, the use of new chemicals in manufacturing, the uncertainty quantity, electricity, the sprinkler system, all have such effect on the rate that the application of the earlier experiences would give a false inference to the later results. Experiences of twenty companies for one year must be evidently more valuable to any one company than its own experience for twenty years.

Averages are only valuable when they are large totals. When taken in small amounts they are worse than useless.

Taking this view of the matter, it seems to us that the subject of classification of business is one pre-eminently for the Pacific Insurance Union. With it we can establish a system of rates throughout the Coast that we can look upon as just to the public and remunerative to ourselves, that will maintain the same average rate, but put its true proportion of the burden not only upon each class of hazards, but upon each section of the Coast. In such an adjustment we may find the true solution of a problem that has so often threatened the life of the Union.

## THE COST.

Another objection that would be raised would be the cost, for a classification such as we should have should be under the supervision of a skilled actuary, assisted by a force of competent clerks. Probably one of the chief defects in the classifications kept by individual offices is that the work is done by a junior clerk, and very much as my teacher used to accuse us of committing our lessons—by main strength and stupidity.

The work to be properly done would often mean several classifications of the same risk. The classification of the basis, of the exposure and of the total. While the expense would be considerable, I feel the results would fully justify it, and since the adoption by this Association of the sixty-day rule in the payment of losses has saved in interest a sum that will go a long way towards paying the expenses of the Union, they might now feel like assuming this expense. But whether they will or not, I feel it is a duty they owe to us, if not to themselves, to give the specials in the field such a schedule as will enable them to tell the agent and the assured definitely what a rate will be under certain contingencies, and it is the duty of the special to so place this rate before the assured that he will respect our rating as a science, not as an arbitrary charge.

FRANKLIN BANGS.

(Applause.)

The President—I think Mr. Bangs is particularly entitled to credit on the ground that he prepared his paper at the last minute. He has proved himself capable of good work under high pressure.

Mr. H. M. Grant—I feel impelled to remark that it is a usual thing for people who read papers to preface the reading with an apology. I don't believe an apology was necessary on the part of Mr. Bangs, for his paper was certainly a very able one. It rehearses the same subject that has been considered year after year by this Association, and very elaborately two years ago by Mr. Folger, who then prepared tables and ways for classification of the risks of the Pacific Insurance Union.

This seems to be the proper place for arriving at general experience. The matter was placed before a committee two years ago, but they were not able to report at the last annual meeting. Mr. Watt, I believe, was chairman of that committee, and if he were here I think he could say something interesting on the subject. He might be able to tell us where the report is and what has become of it. It is to be hoped that Mr. Watt will succeed to the presidency, as usual,

and probably being president as well as chairman of that committee, he will be able to effect something in this line. There does not seem to be any advantage in the discussion of these matters unless we can get them into practical shape. If there is anything that we can do to further the proceedings of that committee by way of bringing the matter into practical shape, perhaps it will be well to call for suggestions to that end.

The President—I think the matter was put into about as good shape as it could be when it was passed over to the Pacific Insurance Union. I do not think there has been any action by that body, if my memory serves me correctly.

Mr. Grant—I suppose the Union has a good many important things to think of; but the carrying into effect of a better system of classification would certainly be extremely beneficial. The experience of any one company does not go very far and does not do very much good. And whatever good each company derives from its own experience, it is not likely to give it to others. It seems to me that if there is anything that can be done to get that question of classification into shape, it should be done at this session. I have no doubt that suggestions could be made at this meeting which would be of great benefit to us. What we discuss here is of interest. This subject has been talked of a great deal and it has been put in good shape by the author of the paper last read; and if we can only get it into tangible form it will be of great benefit.

Mr. Kinne—Would it not be well to make a note of the fact when Mr. Watt comes in, and call upon him for a report as to what has been done. It seems to have been our experience for a good many years that the important thoughts and practical experience of gentlemen who are in the field, find merely a common dumping-ground for those ideas in the Pacific Insurance Union. When a subject is referred to a committee, that committee should respond, either that it is worthy of consideration or that they do not deem it practical. I think we ought to have a reply from that organization. Many of us are members of it. And when a committee is appointed they should consider the question and report that it is worthy of attention, or that they



cannot carry it into effect. This way of going on year after year and gathering together and consolidating our ideas without putting them into such practical shape as to bring about an effective result to all concerned, is getting to be somewhat tedious and is of no value.

Mr. A. A. Andre—I agree with Col. Kinne fully. I think the idea suggested by Mr. Bangs that the special agent should know exactly the plan on which classification is based, so as to be able to explain it to the assured, is the correct idea. I believe that every special agent and every field agent ought to know the formula by which classification is arrived at. Ought to know how to use the formula, and how much percentage there is to be taken off in a given town having a schedule. He should be able to tell the insured exactly, if he looks at the risk and examines it carefully, what classification it would be placed in. Ought to be able to tell him how much the rate will be, and not be obliged to refer it to a higher authority. This matter has been discussed at some length before and I think we ought to take some action in regard to it so as to qualify the special and the local agents and enable them to give an intelligent answer to the assured when he asks why his rate is this or that. But how to arrive at that result I don't know. I will have to leave that to greater brains than mine.

Mr. E. W. Carpenter—Mr. Watt is not only chairman of this committee, but he is a member of the Executive Committee of the Pacific Insurance Union and has been such for a number of months. I presume when we call on him for a statement in regard to the situation, that he will be able to give us some valuable light. He can state what action has been taken or refused to be taken and what suggestions it is advisable to carry out. I can see, myself, that there might be possible difficulties in the way of putting into operation a plan whereby the Union makes the rates for a large number of men. I can see that there might possibly be a misinterpretation of the rule, which would create discord and confusion. At all events I think it would be well to call upon Mr. Watt as suggested, and if he cannot give any report at once, he can at least, to-morrow.

The President—As I understand it, Mr. Watt was on the committee on the classification that was invented or drawn up by Mr. Folger. I do not know whether his duties extended to the question of schedule rating or not. I don't know whether that committee was intrusted with any such matters.

Mr. F. A. Swett was called upon by the President to read a paper on "Insurable Interest." Mr. Swett said:

I was somewhat surprised to hear our friend Bangs allude to his unfamiliarity with the pulpit. I had supposed that there was at least an indirect connection between insurance men and the pulpit. For if the daily press is to be believed, we are, as a class, constantly engaged in preying. According to them, the main difference between ourselves and ministers of the gospel is, that they are engaged in praying for the public, while we are engaged in preying on the public. (Laughter.)

Mr. Swett then read his paper as follows:

#### INSURABLE INTEREST.

*Mr. President and Gentlemen:*

When I rashly promised to write an article to be read at this annual meeting of our Association, it was my purpose to present a paper upon "Insurable Interest," and to treat the subject very fully, but I had not progressed very far in the arrangement of material at hand when it became apparent that to present it in all its lights and shades, phases and variations, would require more time in the preparation than I could well devote to it, and very much more in the reading of it than you would care to grant me.

What I now offer I do not consider more than suggestive of the importance of the subject, which is one that should receive the attention of one more capable of presenting it in a manner worthy of its magnitude, and the consideration of the members of an association representing the brains of a profession in which are to be found men of the highest intellectual attainments, keen discrimination and sound judgment.

Such an article as I thought to present as completely as my limited knowledge would enable me, would necessarily be, to a large extent, a compilation of decisions in leading cases which have come before our State and Federal Courts, and the works containing them are doubtless to be found in the offices of every manager and general agent; and you would be much more likely to consult such works for decisions affecting a case in hand,

than an article by a member of this Association, no matter how exhaustively he may have treated the subject.

Were I to place before you the result of all my researches in this field, with references and decisions confirmatory of such opinions as I might advance, you would be greatly astonished, and I would be more so if you failed to beg to be excused during the reading of so voluminous an article.

I took occasion to ask a very good friend of mine, an honored ex-president of this association, and one who seldom errs in his opinion of men and things, if he did not think a five-minute article sufficiently long for any paper presented for the consideration of the association, to which he replied, "Five minutes is altogether too long for some papers." Not being a mind reader, I was unable to determine just what mental reservations he had made with reference to what I might attempt, and wishing to retain his good opinion, if possible, I concluded to make the paper as short as possible and thus lessen the chances of falling under his ban as well as yours.

#### STATUTORY INSURABLE INTEREST.

Our Civil Code, Sec. 2,546, defines insurable interest in the following language:

"Every interest in property, or in relation thereto, or liability in respect of, of such a nature that a contemplated peril might damnify the insured, is an insurable interest."

Thus it will be seen that it is not essential that the insured be the actual owner of the property; but such interest may consist either in:—

1. An existing interest.
2. An inchoate interest founded on an existing interest; or
3. An expectancy, coupled with an existing interest in that out of which the expectancy arises.

A great variety of interests under each classification might be given, but a few will have to answer the purpose of this paper.

Under the first may be classed actual title to the property, as fee simple, and the actual ownership of personal property.

Under the second, there may exist an insurable interest in buildings erected on land held under contract to purchase, and on which payments have been made; in buildings on leased land; on leaseholds, etc.

Common carriers have a right to freights earned, and therefore have an interest therein that is the proper subject of and frequently is covered by a contract of insurance. Depositaries have the same interest to the extent of storage charges earned; and both common carriers and depositaries have an insurable interest in property in their possession to the extent to which they may be liable to the owners thereof.

Under the third may be classed rents, whether the buildings are upon land owned in fee simple, or held under a lease; expected profits on goods consigned to another for sale, etc.

## THE COURTS.

There are many insurable interests recognized by the courts, any one of which we may at any time be called upon to consider; as, that a husband may have an insurable interest in the property of his wife; a wife or husband may have an insurable interest in property in which the fee simple is vested in the other, as when the land was purchased and paid for by the husband, the wife holding the title; a husband in possession of personal property, holding it under a verbal agreement of transfer from his wife, has an insurable interest therein. In fact there is an almost endless list of such interests as may be properly the subject of insurance, but it would serve no good purpose to enumerate them here.

Of course it goes without saying that the character of the interest must be correctly stated, or the contract is avoided by concealment of misrepresentation, as the case may be.

It is here that the necessity for well-informed and intelligent local agents and solicitors becomes apparent, if the way of the adjuster is to be made smooth, and misunderstandings and litigations are to be avoided.

## PROBATE RECORDS.

A close scrutiny of the records of probate courts would disclose the fact that there are many executors, administrators, guardians and trustees, who are the legal representatives of valuable interests which are insurable, and which the companies would be only too glad to carry, which have been entirely overlooked, and which could be secured by an intelligent and active local agent, who should be instructed to cultivate so fruitful a field.

The adjuster is frequently placed in a position where it is of the greatest importance to the companies employing him, that he be able to decide promptly and correctly, whether the claimant has an insurable interest. If no such interest existed at the time the policy was issued, or took effect, the contract was void *ab initio*, for such interest must have existed when the policy took effect and when the loss occurred, in order to give it validity.

## DECISIONS.

Some decisions are to the effect that if an insurable interest existed at the time the contract was entered into and at the time of the loss, the rights of the insured were not lost by an alienation of such interest during a portion of the intervening period, but the preponderance of decisions is in favor of the principle that a contract once voided can only be restored to its original binding effect by consent of both parties thereto.

If a policy be written where an insurable interest does not exist, the knowledge of such fact on the part of the company cannot be construed as a waiver, and the insured, being a party to the transaction, has no remedy.

The careful adjuster will not be satisfied with the knowledge that the ownership of the destroyed property was vested in the insured at the time



of the fire, if the case be one to which suspicion attaches, and where there is strong probability of moral obliquity on the part of some one, for an investigation as to the circumstances under which the claimant became possessed of it may unearth a fraudulent transaction by which it will be apparent that the claimant has no equitable or legal rights under the policy; or that conditions exist which would fully justify the company in denying liability.

#### INSTINCT IN ADJUSTMENTS.

Very trifling things sometimes lead an adjuster into paths by which he is able to ascertain facts of great value to his company, and he should never ignore what may at first glance seem of no moment.

Our old friend Murray, who so well represented the South British & National in this field, once favored us with a paper upon what he called "Instinct in Underwriting." I maintain that instinct, to borrow his expression, reaches farther than the mere consideration of the desirability of a certain risk, for the adjuster is subject to impressions from some unknown source, which should never be disregarded, for they have frequently led to results of the greatest importance. Instinct often tells one that there is something wrong about a case in hand; the leaves may whisper of conversations overheard; remarks are often made in your presence by parties wholly disinterested, and who may have no idea of what your business may be, or if they have, that what they may be saying has any bearing upon the investigation you are making. These things should never be lost sight of, but every thread should be followed until the end is reached.

#### SEARCH THE COUNTY RECORDS.

The adjuster may find that while the policy holder had an insurable interest at the time the insurance took effect, he had alienated it prior to the fire. In all cases where the least doubt may arise in his mind, he should carefully search the records of the county for evidences of transfer of title or interest. One need not be an expert searcher of records to do this, for any one can run over the indices of grantors and grantees; of lis pendens; mechanics' liens; mortgagors and mortgagees, and readily ascertain such facts as will enable him to determine the ownership of the property in question. By such an examination I have been able, within a very limited period, to determine that claimants to amounts aggregating several thousands of dollars were wholly without insurable interests, and this too, in cases where no ordinary questioning would have disclosed the truth; the claimants in each case having no regard for the sanctity of an oath, were prepared to testify to any condition of things to substantiate their claims.

#### HONEST AND DISHONEST CLAIMANTS.

An honest claimant cannot and will not object to a careful investigation of his loss; and as to dishonest claimants, concede to no man the right to rob the company you represent, but zealously guard its interests by

thoroughly investigating all circumstances which may by any possibility affect the merits of a claim.

Although insurable interests are, and of a necessity must be, of a varied character, there should be no difficulty in determining the validity of any claim made for indemnity, for no one should attempt to deal with interests of such magnitude as an adjuster is called upon to consider, without fully preparing himself for the prompt and accurate discharge of the duties of the profession. I use the word profession advisedly, for a profession it is, and should receive careful preparation for the practice of it.

#### A SUGGESTION.

I do not feel like closing this paper without a suggestion which is applicable to many other questions than that of insurable interest, and that is with reference to waiver, although it cuts no small figure in the adjustment of losses where insurable interest is under consideration.

A waiver is so easily created that the careful adjuster will, before going into a preliminary investigation of a loss, the circumstances attending which are in the least clouded, take a stipulation from the insured to the effect that no act performed or demand made by himself, or by any representative of the company, shall be claimed or deemed to be a waiver of any of the terms or conditions of the policy. You will observe that the acts of an indiscreet local agent or other representative of the company, which are, in many more cases than claimants are aware, such as the courts would unhesitatingly pronounce waivers, are nullified by the form suggested.

I have treated the subject chiefly from the standpoint of an adjuster, as while acting in that capacity it has been most frequently, and at times very forcibly, brought under consideration, but in my opinion it would be the alphabet of our curriculum.

I do not claim much originality in what I have presented, but I do claim that the importance of it is not fully considered, and because of such fact, and because the field men do not more carefully instruct their locals, is due much of that ignorance or carelessness which becomes apparent when a loss occurs, and should this paper inspire a closer investigation of the subject, and a more careful instruction of the local, the result aimed at will have been accomplished.

FRANK H. SWETT.

(Applause.)

The President—It seems to me that Mr. Swett has given us some ideas that ought to provoke discussion. We have time enough for it, and the subject is one which is worthy of attention.

Mr. Carpenter—I don't like to be jumping up every time a paper is read and putting my oar in, but I feel inclined to say something

at this point in reference to Mr. Swett's paper, not only in regard to the thoughts expressed therein, but also to express my satisfaction at the manner in which those thoughts have been presented. The thoughts contained in a paper like that will remain in the mind of every intelligent man. There are two points which bring to my mind incidents that occurred in my own experience. One was with reference to chance conversations and how they might affect us in regard to the cancellation of certain risks. Last year at one time I was coming from Nevada, where I had been to see some cattle that my friend Grant used to be interested in. I had ridden thirty miles from the ranch to the railroad. There I got a sleeping car. I didn't get up very early in the morning. I heard a gentleman, one of these loud-mouthed individuals, who always likes to have every one know that he is talking—in that respect he differs from insurance men—(laughter.) He was on the other side of the car and had gotten up early and wanted everyone to know it. He was talking very loudly about a fire that had recently occurred in Salt Lake, about the depression in the woolen business, etc.; that there was no money in it; that wool could be bought at such a price, etc. I had had suspicion about a certain woolen mill, and on my return home this conversation that I had overheard while I was in bed that morning, brought that suspicion again to my mind and impressed it upon me. This same woolen mill burned ten days afterwards. I don't call that instinct. It is merely observation, but it is a kind of observation that insurance men should cultivate to the utmost. The other case that I refer to was with reference to the searching of records. The keeping of an eye on the county records is something which every local agent should make a practice of. He should keep posted in regard to them even though he does not expect at any one time to make any particular discoveries. To illustrate that point: I was local agent many years ago in Helena, Mont. A loss occurred. A store was burned. It was a narrow one. After the fire I went to the county records to see how much land the insured owned. I found that the land which he owned came just between the brick walls on each side and didn't lap over the brick walls in the least. That was evidence to me that the man who built that store did not

own the walls on either side of him, but that he had simply put up scantling and put a roof and front on. So of course the adjustment of his loss was regulated accordingly, his loss not being as great as it would have been had he owned the walls. When I placed the facts before him he said, "Well, that is what comes of insuring with a local agent. If I had insured with a company down in San Francisco, they would never have dropped on that at all. They would have paid me for my brick walls." That illustrates the advantage that a local agent can often derive from consulting the county records.

Mr. Gunnison—I came this afternoon with the firm intention of not saying a word, as I was somewhat laughed at this forenoon for talking so much. But the remarks of Mr. Carpenter have suggested some reminiscences of my own experience; and in regard to the searching of county records particularly.

Several years ago I went to Fresno to adjust a loss of a dwelling-house which had burned down. I was sitting on the steps of the hotel looking towards the Court House, and it occurred to me that as I had leisure time it would be well to go over and examine the county records and see in whom the title to the property was vested—the insurable interest. I believe that is the subject under consideration now. I went over there; and as I had served an apprenticeship in the searching of records in this city a good many years ago, I felt at home in that occupation. It didn't take long to go through the records there. I found that the insured, some six months before the issuance of the policy, had transferred that piece of property to his brother. Of course I determined in my own mind that he had no insurable interest. So I had a meeting with him and told him that he had no insurable interest in that property. He admitted that he had sold it to his brother. The deed was on record in proper form. The consideration was a thousand dollars or more—I don't remember how much. But says he, "The reason why I sold it to my brother was this: Some two or three years ago I unfortunately made the acquaintance of a woman and she was a woman of rather easy virtue and too rapid; but I lived with her two or three years and we lived together as man and wife. Then we separated; and it was suggested to me by a lawyer that it was possible she might



sue me as wife under the laws of the State here and claim my property. So by his advice I put my property out of my hands, deeding it to my brother, to keep from being sued." Now, you can decide in your own minds as to whether he still had an insurable interest there or not. I consider it rather an interesting point. The case went through several hands and through the hands of different lawyers, and they had considerable contention over it as to whether the putting of that property out of his hands in that way to save being sued by a disreputable woman with whom he had co-habited two or three years, had destroyed his insurable interest in the property. I am not prepared to say. The case was compromised at last without being settled in court; but it was by my own exertions in examining the records of the county that the question as to his insurable interest was raised.

Mr. Grant—Mr. Carpenter always lets us know something that happened in Montana. I would like to know whether his experience and that of his friends would lead up to the conclusion that it is good to let the local agents adjust losses, and whether he was specially affected in that case?

Mr. Carpenter—I am glad that Mr. Grant has made that question, because it gives me a chance. I don't believe in allowing local agents to adjust losses in any case. I consider that a great grievance that I was compelled to adjust losses when I was a local agent. I considered it a great grievance, because it puts one in a peculiar position. I would much rather have had the special agent adjust it, or anybody else.

Mr. Kinne—The most of us are of the same opinion.

Mr. Carpenter—And the reason I don't believe in letting local agents adjust their own losses is, that from my own experience it was a very trying position to occupy. To solicit the insurance, get the insurance, and then when a loss occurs to have to stand right up and say "here, I am representing a company, you can go just so far and no farther." They accuse me—"Well, I supposed, Mr. Carpenter, that you would deal liberally with me." An outside man can come



in and adjust independently, and in a way which is perfectly satisfactory to both the company and assured, thus saving a great deal of bad feeling.

Mr. Smalley—Mr. President, Mr. Carpenter was not like most of the local agents to stand up and say you could go just so far and no further. The most of them say go as far as you can.

Speaking of chance conversation, I will speak of a little incident I had on the road when I went to adjust a dry kiln—this was shingles. I was sitting in a car and there were two men sitting in front of me; one was a drummer. And he was trying to sell a blower—a Boston blower—to this man for his dry kiln. And the man who owned the dry kiln said, “No, shingles are not worth anything. We can’t sell them, and there is no use in going to additional expense. We have got to have a meeting of the Association to try to fix the price of shingles. That is coming off right away, and if we fix the price, maybe I will put in one of the blowers.” He said, “Now, I have got an old-fashioned blower, and I believe I will hang on and see what the meeting of the Association is going to do.” The drummer says, “Yes, but don’t you know you are losing ten cents a thousand by drying with the old Excelsior kilns.” “Well,” the old fellow says, “I have been waiting for mine to burn up so as I could put in one of these new things.” I didn’t listen to any more. I went back in the car, and on arrival at the town, got on pretty good terms with the local agent. I advised cancellation, but he thought it unnecessary. Shortly afterwards I was called in to adjust this loss, and in adjusting it I said to the man, “Well, did you succeed in setting fire to your kiln,” and he wanted to know what I meant. I told him the conversation I had heard, and then settled with him for fifty cents on the dollar.

Mr. Watt—It’s too bad we cannot hear all those conversations.

Mr. Grant—If I may be pardoned for getting up again—Speaking of conversations, it is not unfrequently the case that special agents and adjusters happen to travel together. They get talking over their experiences, in the car, where others, strangers to them, may overhear their remarks on such and such a loss, what they did, etc. It

often happens that they misunderstand the purpose of the conversation and fancy that the insured has been improperly treated, not to say cheated, or his loss settled in a dishonest way. Such remarks cause unfavorable criticism on the insurance companies.

Mr. Watt—We seem to be in a mood for reminiscences this afternoon. I remember Mr. Snow telling me once of his experience with a new local agent. After posting him up in agency work, they drifted into a friendly conversation and the local agent said, "I suppose you have a great many crooked losses." Mr. Snow assured him that the underwriters certainly sustained a good many crooked losses. The agent said, "How do they proceed to set fire to a house without being discovered?" Mr. Snow told him some of the methods—among others, of boring an auger hole through the floor and letting a lighted candle down through the hole on a lot of waste paper or something that would burn easily. The agent seemed very much interested, and before the year was out Mr. Snow adjusted his loss and paid him in full. Of course he could not prove incendiarism.

President Ives—Are there any further reminiscences? If not, we will call for the next paper: "Insurance versus Underwriting." As he is not here, Mr. Osborn will read it. It is by Mr. Edward Brown.

Mr. Osborn—Mr. Brown is having his time well occupied in other matters, and Mr. Craig, who happens to be present, but who was not known to be coming at this time, says that I better read it.

Reads.

#### INSURANCE VS. UNDERWRITING.

At the first glance it might be supposed that on this topic but a very brief thesis could be written, and I can well imagine the hearers congratulating themselves that at last a paper has come forth which must of necessity be very brief. But hold on, friends! Think back a little; review past experiences; call upon your remembrances and see whether it is not a theme upon which the more one reflects the more the subject grows!

All of us, and all who have preceded us, wherever the science of underwriting has been known, have commenced our career by becoming what is commonly known as "insurance men." How very many of us have never advanced beyond that initiatory degree! When the American citizen of Hebrew persuasion related to some interested friends the killing of his brother in a railroad accident, he was asked the question as to whether

his brother had been badly *mutilated*. In excited tones and with upraised hands he exclaimed: "Mutilated! My goodness, they did not save 20 per cent of him!" Out of the great insurance fraternity, on the rolls of which there are hundreds of thousands of names inscribed, the percentage of those who graduate into the ranks of skilled "underwriters" is far below the proportionate salvage of the unfortunate Hebrew gentleman referred to.

#### "THE INSURANCE MAN."

Briefly described, the "insurance man" is a man who knows *how to get* business. The "underwriter" is the one who understands *how to write* it. By the general public the terms are supposed to be synonymous; to the profession they mean two things often very widely apart.

Gentlemen, let us indulge in a little retrospection; let us review the methods and practices of the insurance business as we know it. Policies of insurance are supposed to be contracts. This is a mistake. Contracts are things entered into with mutual obligations. Contract means "to make a bargain or covenant for." Originally each insurance policy was in reality a contract, because it always used to be based upon a written and signed application; it had, in fact, a basis. It is to-day a contract in this sense: although drawn up wholly by the one party, it is accepted by the other, and consequently both are understood to be bound by its conditions and agreements. You all know how the courts of justice hammer away at these so-called contracts and how it is always claimed that an agreement, the language of which is selected by the one party and which the other party must submit to, must always be construed as against the drawer whenever there is any possibility of ambiguity.

#### SUPREME COURT DECISION.

Even the supreme court of the United States, commonly claimed by our countrymen to be the most intelligent court in the world, has recently, by an evenly divided bench, affirmed the decision of a United States court of Appeals, which declared that the words "within twelve months next after the date of the fire" meant not twelve months from the date of the burning of the property, but twelve months commencing to run from some later date, such, for example, as sixty days after the filing of the proofs. This decision, mind you, is not a repetition of the fine drawn one, which, being based on the words, "twelve months after the occurrence of the loss," claimed that the loss did not take place until the maturity of the claim. In this instance to which I refer the word "loss" is not used. The clause is, "twelve months from the date of the fire." The supreme court of the United States in effect decided that the fire did not occur when the property burned, but that it did happen on the sixtieth day after the filing of the proofs.

Taking it for granted that the insurance contract or policy will always be subjected to the most searching criticism, and that in the event of suit every pretext will be sought to translate it in favor of a claimant and against the company, how absolutely essential it is that both the printed

and written portions (more especially the latter) should be framed with the greatest care; that it should be made to express the actual meaning of the two parties thereto; and that no loophole should be left, through careless phraseology or ambiguous language, whereby it can be perverted to mean something never intended.

#### WRITTEN PORTIONS OF POLICIES.

It will not be disputed, I think, that the written portions of policies habitually issued are framed with but little reference as to how they will be construed after the fires occur, and that only the very smallest modicum of intelligence and good, plain, common sense are displayed in drawing them up. I need not give samples. You are asked to take up the policies issued from your offices on any one day of the week, read them very carefully, analyze them and I believe you will agree with me that perhaps not one in ten is worded as it should be. It is a notorious fact that in parts of the Coast field, which formerly were more or less tributary to Chicago, a far better and more business-like form of policy is used than in the districts which have always reported to San Francisco. The inference cannot be otherwise but that Chicago managers and Chicago special agents are more intent on having good methods and proper forms used than we in San Francisco. It cannot be gainsaid that in some points we are ahead of Chicago. Our policies are better divided and the insurance more specifically written, but that is the whole.

#### TWO DAILY REPORTS CONTRASTED.

We select haphazard two daily reports, one covering a building in Denver, the other a San Francisco building, to-wit:

"On his two-story and basement brick, metal roof building, including water and steam pipes, fittings and connections, sidewalks, foundations and area walls, occupied, basement for storage, grade floor restaurant, undertaking establishment and music store, second floor dancing academy—all privileged to be occupied for purposes not specially hazardous—situate Nos. 1545 to 1551 (inclusive), Champa street, Denver, Col."

"On his four-story frame building, situate No. 427-9 west side of Larkin street, between Turk street and Golden Gate avenue, San Francisco, Cal. Other insurance permitted."

What a contrast! And how proud we San Franciscans should be of *our* way! No waste of time or ink; no foolishness; everything simple and expressionless as a baby's face!

In this consists one of the many points between an "insurance man" and an "underwriter." The "insurance man"—the premium getter—dominates the policy forms. He brings into your office a printed or written form and requires that that should be your language when writing out the contract. If he is an ignorant man, his form is crude, incomplete,



perhaps contradictory in its terms, omitting precautionary and descriptive language, which should always be used. If he is a shrewd, bright chap, and of course these adjectives characterize the great majority of "insurance men," then he has carefully drawn his form so as to favor his client in every particular; has omitted all reference as to occupancy; has said just as little as possible about construction; has placed no limitations upon anything; and has made his form just as broad and as comprehensive as possible, so that it can be construed to cover anything and anywhere.

#### MORTGAGEE CLAUSES.

Perhaps in no one particular is bad underwriting more fully demonstrated, or more fully shown, than in consenting to the use of the various—iniquitous, it might be said—mortgagee clauses. It is bad enough, in all conscience, to agree that no act—which means criminal or otherwise—of the assured shall affect the interest of the mortgagee; but to agree also that the mortgage may be transferred from hand to hand, without notice or consent of the company, thereby making it necessary to trace it up and to find out the real owner so as to be able to notify him of a desire to cancel the policy; furthermore, to agree to the abandonment of the contribution clause, is a surrender of the company's rights which cannot be justified by any local, district or general agent, or by any company manager. It is not underwriting, and there is no defense for it.

#### GENERAL AGENTS AND COMPANY MANAGERS.

So far, under the term "insurance man" I have had in view the local agents, city agents, brokers and solicitors, but if we turn to other grades, to district agents, general agents, company managers, we will find that very many of them come under the same heading. On nearly every subject brought before them their view is that of the premium-getter. They shrink from assuming any stand which may possibly lead to the loss of a few premiums. They overlook the point that there are other matters of much greater importance to the interest they represent than the question of a few dollars more or less. They weakly yield to the requirements of those who bring them the business, knowing at the same time that what they do is not only weak, but unjustifiable. The safe-guards, which the cautious business man should never disregard, are yielded one after another. When loss claims are presented, they yield again, and will yield almost everything to the claimant who has property, position and sufficient stubbornness to stand out for everything in sight.

#### "THE OTHER FELLOW."

If there are other companies, other managers or general agents, interested with them in a loss, they will use every effort to shirk responsibility themselves and endeavor to saddle it upon some one else. By innuendo, implication, if not by direct language, they give the claimant to understand that it is the other fellow who is to blame for everything and not

they. Should there be an intricate adjustment pending, in which they are not at all interested, they will lose no opportunity, in fact will seek every possible chance, to say how differently they would have acted had *they* been interested. In their efforts to build up business they will throw aside manliness, self-respect, good faith, often times honesty too, in order to secure an advantage over their competitors. Over-insurance is freely permitted; loosely-worded policies issued; exaggerated claims—often times fraudulent ones—entertained; and losses paid when they well know that the higher interests of the profession and even of their own company or companies demand that a different course should be pursued.

#### EXECUTIVE OFFICERS.

If you search still higher ranks and go amongst the executive officers of the numerous American and foreign companies, whose names are household words, you will find that the "insurance man" is there too. Don't you know of men who have been selected to fill the responsible positions of district or general agents, who are almost without every qualification fitting them for their work? Have you not seen how men have been selected from commercial ranks and from other walks of life to fill positions for which they have had no training, and that, too, in a business which requires that to become competent it should be made the study of a lifetime? Do you not know of district agents who really know but little more of the business which they have been selected to manage than some of the junior clerks in their own offices? Is there any other profession or business where such things are done? Is a landsman, without any knowledge of navigation, selected as the captain of a merchant vessel? Is a layman who has never been permitted to practice ever appointed as a judge? Such appointees have no doubt been selected because it was supposed that they could influence business. In this and in many other respects the company manager, be his title president, secretary, or what-not, manifests the same lack of appreciation of the necessities of the business as does the district agent whose methods have just been described.

#### A MERCHANT AS INSURANCE PRESIDENT.

The writer well remembers that when the old president of a very prominent Philadelphia company died, his successor was selected from the directorate instead of from the rank of educated underwriters, as common sense should have dictated. In Europe they manage these things better. There the president is practically chairman of the board of directors. He has nothing to do with the underwriting. That is entrusted to a manager, and the manager is selected because of his record as an expert underwriter; but in the United States the president of the company is usually the dictator of its business affairs. He is the captain of the ship. Now this particular director, who was elected president, had been a successful dry-goods man. Two months after his assumption of the presidential chair he told a friend that he was utterly astonished to find how readily the fire insurance business could be mastered. Two years thereafter he frankly admitted to the

same friend that he had been in error and was only just beginning to understand the rudiments. So you see that throughout the entire profession the "insurance man" is frequently found occupying the place which should be filled only by an "underwriter."

It is only the thoroughly well informed man who understands and cheerfully admits how little he knows. I have no doubt that there are a great many men in our business, presidents, secretaries, managers, general, district and local agents, who would be very indignant if it were hinted to them that they might be "insurance men" but not "underwriters." It is but fair to say that this abnormal condition of things is very greatly diminished now as compared with a couple of decades back. Good "underwriters" are to be found occupying positions in all parts of the country, north, south, east and west, but the idea is still too prevalent at headquarters that nearly all of the skill and intelligence in the profession is to be found there, or near by.

#### A CALIFORNIAN'S IRONY.

About fifteen years ago a general agent from this city was in New York at the time when the National Board was holding its annual session. His company extended to him the courtesy of an invitation to the dinner at the windup of the session. There was a large gathering; most of the shining lights of the profession were there, and there were many very clear-cut and even brilliant speeches made. Along towards midnight he was astounded when Mr. Geo. T. Hope, the Chairman, called upon him to speak for the Pacific Coast. He had never, he told me, made a speech in his life, and felt a great deal more like going through the floor than standing up before such an audience. Summoning to his aid that important essential in our profession, vulgarly termed cheek, he did succeed in maintaining an upright position for a short period, in which he deprecated the wisdom of the call upon an uninformed Californian to speak upon the subject of insurance before men who were past-masters in the profession.

He said that New York was the fountain head of insurance knowledge; that the stream which flowed from this fountain reminded him of certain streams on the Pacific Coast which issued from the mountains bank full, but which, through absorption and seepage, never reached the sea. It flowed from New York, but being absorbed as it traveled westward by the various states and towns, it very rarely got beyond Chicago, and never reached San Francisco. The only insurance knowledge that was possessed in the latter place was the simple plan of charging sufficient premiums to pay losses and expenses, and a trifle over. This was all that was understood in San Francisco, and therefore the speaker could not enlighten or interest his hearers on any of the scientific topics pertaining to the profession.

This little speech was received in dead earnest by the hearers, and one of the gentlemen, prominent in New York, told the president of the company, which the Californian represented, that his San Francisco agent had done very nicely; that he was a sensible fellow and manifested it by not claiming to know more than he really did.



## THE PACIFIC COAST PHYSICAL HAZARD.

One is sometimes led to question whether the "insurance man" is not too numerous in the management of the affairs of the Pacific Insurance Union. The writer may be quite wrong in his conclusion, but often times the idea presents itself very strongly to him that a little more foresight in shaping its course would result in a different tack being followed in some particulars. It would seem as though the true underwriting principle would be to collect from our clients no greater assessment than is necessary to pay probable losses, necessary expenses and a fair margin of profit. If this idea were intelligently followed and applied to every part of the Coast, nine-tenths of the troubles which the Union has labored under ever since its organization, and which now threaten to result in its speedy dissolution, might have been averted. Every person who has carefully and intelligently studied the subject knows that there are the utmost diversities of both physical and moral hazard in this field commonly known as the Pacific Coast. Our own state alone has about all of the climates to be found between the 20th and 60th parallels of north latitude, or from Cuba to Greenland. We have regions where frost and snow are utterly unknown, and we have places where it freezes nearly every night in the year. There are districts where rain and fog are almost continuous, and there are others where scarcely enough of moisture falls to settle the dust. Between eastern Oregon and Washington and western Oregon and Washington there is a difference of climate which can only be realized by those who are familiar with both sections. In one there is an extraordinary precipitation, an atmosphere that is moist nearly all the year around and a remarkable absence of high winds, and also very little of extreme heat or cold. East of the Cascades are to be found intensely hot weather in summer and very cold winters, but little rainfall and a wind that blows a gale day after day and week after week during certain periods of the year. In Idaho, Montana and Utah the physical hazard varies from that of the districts before mentioned, and also varies one from the other.

## THE PACIFIC COAST MORAL HAZARD.

It is no less understood that the moral hazard is almost as diversified as the physical. In the older, settled portions, such as in central California, in the vicinity of Los Angeles, in certain of the Coast counties, in the Willamette valley in Oregon, in the "Sound" country of Washington, etc., etc., the moral hazard is and has been excellent; but if we take the other portions of the Coast which have been boomed and which have attracted a floating population, adventurers from all parts of the universe, there we find the moral hazard to be of the very worst possible character. An intelligent system of rating would take cognizance of all these facts, which are patent to every one, and would vary the charges for insurance in correspondence with them. It is not to be denied that the Union has used different bases and varying charges for exposures, etc., but notwithstanding this it is a well recognized fact that under the existing tariffs and special ratings certain sections have been generally unprofitable, whilst others



have been continuously profitable. Companies and managers have striven hard to get, each of them, more than a fair share of the business in the favorable localities, and to accomplish this many of them have paid extravagant and unauthorized remuneration to their agents. To this, more than to any other one thing, or perhaps more than to all others put together, has been the disturbing element in the Union, and has on more than one occasion brought it to the very throes of dissolution. Time and again peace has been patched up only to be again broken. Last summer a move in the right direction was made, rates were advanced in certain counties in this state, but had that been followed up, as it should have been, by reductions in other counties, where it was well understood that the business was extremely profitable, the recent and still existing troubles would, most likely, not have occurred. I claim that "underwriters" should foresee and provide against all dangers of this kind, should disarm antagonism, should cultivate the good will of their clients, and should aim to popularize their methods, just as mercantile people do. A strong hand should be used, whenever necessary, in self-defense, but at all other times it should be well gloved.

The subject grows as one writes upon it, and it is not too much to say that it could be continued, like the serial story, to an almost indefinite length, but this paper is already as long as your patience will permit of and it therefore shall be concluded, possibly to be taken up on some future occasion or in some other manner.

Asking your forbearance for trenching upon your time as much as has been done,

Very respectfully yours,

EDWARD BROWN.

Applause.

President Ives—There is a good deal of food for thought, if not action, in Mr. Brown's paper. Have any of the members anything to say?

Mr. Watt—Just for the purpose of starting the ball rolling, I will call special attention to that feature of the paper which refers to bad faith and excessive rates in certain localities. Now, the question arises as to whether the system of rates adopted by the Pacific Insurance Union does not take away from the special agent a great deal of responsibility which in former years rested upon him. It is a fact that most special agents are expected to get business; that is what they are sent into the field for. I doubt if a special agent would make headway rapidly by devoting himself entirely to supervising and not at all to getting business. In my inspection slips I have the question, In case of competition, what rate would it be prudent to

accept rather than lose the risk? Thus I am gradually getting on file reports of what my special agents think of the different risks throughout the country, so that if there was a free fight we would know how to decide in reference to risks on our books—moreover it makes the special agent think as to the adequacy of rates, for he is constantly going on record.

Mr. Gunnison—I think that shows that Brother Watt is an underwriter and not an insurance man.

Mr. Kinne—I would like to inquire of Mr. Watt as to what he means by the special agent getting business. I do not fully grasp the idea, whether getting it personally or getting it by urging the local agent to be more assiduous in his endeavors to secure business in his vicinity. If it is that, it seems to me it is the duty of the special agent to do the latter.

Mr. De Veuve—I don't agree with Mr. Watt altogether. I think that it is necessary to employ men who are able to secure business on a legitimate basis. It would seem that the average special agent should be able to control and secure business. I maintain that the special agent is one who performs the duties required of him by the company, but who will refuse business simply because it is business, and will accept business because he can get it as a paying proposition. Those of us who are not permitted by our managers, to pay excessive commissions, cannot meet competition, and pick out the agent that will give us the business that will prove profitable, even if it is not so large.

Mr. Carpenter—Mr. President, Col. Kinne is not in the room, is he? If not, I will venture to make a remark because I don't want to get into an argument with him. We all believe that because a girl has got money she would not make any the less a good wife, and I don't think because a special agent is able to get business, that he is any the less qualified to inspect risks and act as a first-class special agent. I don't believe in a special agent going around and acting as a solicitor. It seems to be put forth once in a while that it is beneath the dignity of a special agent and entirely outside of his province, to

take in a risk when he has a chance to do it. I believe the majority of gentlemen here present will agree with the idea, that because a special agent is able to get business, he is none the less a good special.

Mr. De Veuve—I think an intelligent special agent will endeavor to pick up all the business that he can as he travels.

Mr. Watt—I said nothing that could be interpreted as favoring a special agent's getting business by independent soliciting. He should act with or through the local—but he must get or be the means of getting business; there are many other qualifications to be considered in the selection of a special agent.

President Ives—If there is no further discussion on the subject, we will hear Mr. Low's paper: "The Underwriters' International Electric Association."

Mr. Low reads.

#### THE UNDERWRITERS' INTERNATIONAL ELECTRIC ASSOCIATION.

The Underwriters' International Electric Association owes its existence principally to the exertions of Mr. C. M. Goddard, secretary of the New England Insurance Exchange, and Mr. F. E. Cabot, superintendent of the Boston Fire Underwriters' Union, each of whom, in his capacity of electrical inspector, had been brought to realize the necessity of ferreting out every possible fire hazard of electricity, of enlarging the field from which information concerning these hazards is to be obtained, of formulating requirements that, from an electrician's view, shall act unfailingly in attaining the desired end. Above all was appreciated the fact that so long as the electrical requirements of various underwriters' organizations were at variance in their ideas in regard to devices or methods of construction that offered immunity from the electrical hazard, just so long would the advent of harmony between the two great interests concerned be deferred.

Electricians the country over would think if not say, that "when underwriters have agreed among themselves what constitutes safe construction, then and not until then will we give their rules unqualified endorsement." In my own experience I have often been confronted with a statement to the effect that construction I had demanded was not required elsewhere, or *per contra*, very frequently I have been charged with permitting forms of electric construction that would not be tolerated for a moment in the East. Underwriters were, therefore, justly open to criticism the country over in that they were divided against themselves. The necessity for national standardization became a crying need, and from that need has developed an

organization that, though yet young, has materially assisted in cementing insurance and electrical interests, from the Atlantic to the Pacific, in the strong bond of united purpose. The fire hazard of electricity is an evil to both interests. Its suppression is for mutual good, and in the organization of the Underwriters' International Electric Association rests the most probable means of deriving the solution of most momentous questions.

#### THE AIMS OF THE ASSOCIATION.

The history of the formation of the Association, though of interesting detail, must find no place in a business paper prepared for substantial benefit. More extended reference must, however, be made to its further aims, and to the work accomplished by it and in prospect. The Underwriters' International Electric Association has enlisted the co-operation of every important insurance organization having primary jurisdiction in the United States and Canada. Its rules are their rules; their experience is its experience. Its list of officers and members contain the names of some of the best known insurance men and nearly all the underwriters' electricians in the country. It holds at once the confidence, the co-operation and the good will of both underwriters and electricians, and with their support it constitutes a most valuable adjunct in restricting the fire waste.

The facilities presented to this organization for the collection of instructive data concerning the fire hazard of electricity and the best methods for its restriction are noteworthy. Each electrical inspector becomes, as it were, a census agent of the Association. He is not like the ordinary electrician, tied down to his own plant and to his own individual experience. The electrical inspector meets all electricians and reaps the benefit of their experience, which becomes the property of the Association. Each fire of electric origin is promptly reported to every member, who has thus held before him a constant reminder of those details of electric work which require the greatest watchfulness.

As yet the chief aim of the Association has been in the preparation of rules which, if carried out, will assure safe electric work. Inspection is necessary to carry out these rules; hence, after all the matter of safety from electric wiring becomes one of inspection. If the Underwriters' International Electric Association has erred in any detail, it has been from insufficient consideration of this most vital topic. In order that the work accomplished by the Electric Committee may be the more thorough, its members have been divided into permanent sub-committees, each member having some particular branch allotted to him which he makes his special duty.

#### INSIDE WIRING.

The matter assigned to me, viz: "Inside Wiring, Concealed and in Wireways," is one which inspection or the absence of it frequently renders at once perfectly safe or extremely hazardous according to the integrity of the wireman. If it is a fact, as is charged, that to the use of electric wiring is due the abnormal increase in the number of fires from unknown causes and



the enormous losses consequent thereto, then upon the sub-committee on "Inside Wiring, Concealed and in Wireways," rests the great responsibility of finding a solution of what is said to be one of the most serious problems that confront fire underwriters. If the evil is so great, and if, as has been stated, as the applications of electricity increase, so insurance earnings decrease, why not apply a heroic remedy? The deeper you delve the clearer you see that *inspection* affords the only surety for safe work. You cannot stop the use of electric light; you cannot materially check its development. It is too popular. You cannot afford to maintain an electrical inspector in each town, nor can you ask that, if your inspector is not at hand, the work on buildings shall cease until after his arrival and inspection. Neither can you demand that all wires be run exposed on finished surfaces.

Wires must, like gas-piping, be run behind plaster, between walls and beneath floors. And it is the wire so concealed that makes the mischief. It is thoroughly out of sight, and if it were nothing more than out of mind, no harm would come. From a fire standpoint, it is an absolute impossibility to satisfactorily inspect wiring that is concealed and inaccessible. By no known means may reliable information be derived that will carry with it the assurance that such concealed and inaccessible wiring presents no fire hazard. A visual examination alone will do that. Then, I ask in all fervor, why not require that all concealed circuits be so placed that they may be rendered accessible for such visual examination as will warrant your inspector in assuring you at any time whether the wiring is safe. There is nothing visionary, nothing chimerical about this. It is fact, not fancy, and if a remedy so simple yet so positive is not worth the trial, then all talk of the enormous fire waste from the use of electric wiring becomes but prattle.

#### RESOLUTIONS AT THE CHICAGO MEETING.

These conclusions led to the introduction of a resolution at the recent Chicago meeting of the Electric Committee, which so clearly set forth other advantages in favor of such accessible construction that they are repeated:

WHEREAS, Under existing practices, but extremely few of the buildings in the United States which are wired are inspected before being closed in by lath and plaster, and

WHEREAS, An inspection after such closing in is incompetent and worthless, for the reason no means are known to the electrical profession by which a fire hazard of concealed or inaccessible circuits may be determined, and that a visual examination of all circuits must be had before immunity from fire hazard can be assured, and

WHEREAS, By reason of such non-inspection the work of incompetent and irresponsible electricians remains forever permanently concealed and uninspected, thereby affording ample opportunity for evading the requirements for safety, for practicing gross impositions upon the fire underwriters and the public, and imperilling millions in property valuations, and

WHEREAS, Only through the use of insulating wireways is it possible to render concealed wiring permanently accessible, and

WHEREAS, Such permanent accessibility renders it possible to thoroughly inspect at any time every installation so wired, and insures trustworthy means for the detection of every piece of defective wiring of whatever nature; therefore be it

*Resolved*, That the use of such insulating wireways for rendering concealed wiring permanently accessible, be and hereby is most heartily endorsed and recommended, and be it further

*Resolved*, That such methods of accessible concealed construction be and hereby is advised for general use.

#### THE UNIVERSAL PLAN.

In the adoption of this resolution by the Underwriters' International Electric Association, the use of a system that must ultimately become the universal plan of interior wiring was adopted. When organizations such as your own give, by resolution or otherwise, expressions sustaining more positive action or, better still, when insurance organizations having primary jurisdiction give suitable assurance of support, then only may the Underwriters' International Electric Association contemplate the annihilation of the hazardous inaccessible construction now almost universally countenanced, and occupy the sweeping and impregnable stronghold of Permanently Accessible Construction for Concealed Wiring.

It is the opinion of the writer that the existing rules of the Underwriters' International Electric Association accomplish the installation of perfect work, with the single proviso that all work is competently inspected before being covered up. Inspection is absolutely indispensable, and, as stated, an insufficient consideration of the most approved means of accomplishing it forms the only weak feature of the present requirements.

The work accomplished by the Association has been of the greatest value, but of almost equal importance are the tasks before it. Each new or improved device for effecting further safety passes through its hands for examination and approval. Its testing of insulations and apparatus is done by one of the most reliable electrical engineering concerns in the country, and its members are in constant communication each with the other concerning new devices, new hazards and new experiences. The subject of fire alarms, both municipal and automatic, is now receiving earnest attention, and it is now confidently believed that when the practical requirements for this service have been determined upon, fire alarm systems conforming thereto will be impossible of failure.

The development of electric heating and cooking devices, the impairment of sources of water supply by electrolysis from electric railways, the hazards of aerial or underground circuits, and, in brief, all the infinite applications of electricity and underwriters' interests incident thereto, receive its most careful consideration and its conclusions are proclaimed in require-

ments aimed to cover every deficiency. All will concede that its conception was magnificent and that its utility is of the greatest value.

GEO. P. LOW.

(Applause.)

President Ives—We thank Mr. Low very much for his valuable paper. It is apparent from what Mr. Low tells us that it is not a matter of hazard whether the electric system in a building will prove dangerous or otherwise, that it is a matter of inspection, and such inspection is absolutely able to be had, provided certain conditions are to be met. I think some arrangements or some committee should be appointed to take the matter in hand with reference to the Pacific Insurance Union being asked to consider the matter, and if thought necessary, act in accordance therewith. By so doing it is apparent that dangers which now circumvent the uses of electricity would be duly discussed.

Mr. Carpenter—I would like to ask Mr. Low what devices have been made for the purpose of rendering wiring at all times acceptable.

Mr. Low—Replying to Mr. Carpenter's privilege, there are in use two methods of accomplishing this end. The first is through the use of wood mouldings, that is, wooden strips that are grooved so as to confine the wires, that amply protect the wires, keep the air from them. The second is laying wires when the building is constructed. There are several instances of this in recently constructed buildings in San Francisco, where the electric light, telephone, messenger and bell wires are put into a building entirely concealed from view, and yet are accessible for examination at any and all times. Wireways consist of materials thoroughly impregnated with fire-proof materials, and I maintain that the greatest possible advantage to both insurers and insured accrue from their use. As the paper says, the system is simply impregnable.

Mr. De Veuve—Mr. President, I would like to ask Mr. Low, for myself and the Association, what strength the incandescent current has to possess before it creates a fire hazard. I have been told that

an ordinary incandescent light does not create any hazard, so if it does, I would like to know.

Mr. Low—There is no question but that the greatest portion of fires from known electric sources are due to arc circuits, which carry currents of very high pressure. The maintaining of the insulation of such circuits becomes a matter of difficult solution, as it depreciates rapidly and requires constant watching. These remarks are exclusive of the hazards of railway trolley circuits, which appear to be beyond satisfactory control so long as existing methods of electrical construction are adhered to. With arc lighting, the current is of small volume (about 10 amperes) at high pressure, from 2000 volts upwards. Incandescent wiring carries current at low pressure but of volume increasing directly as the number of lights. The heating factor of any electric current is found in the ampereage; the breaking down of insulation with a perversion of ampereage entailing fire, is due to the voltage of the current, all as fully described in the papers I have had the honor to present to this Association. Obviously then Mr. De Veuve's information to the effect that an ordinary incandescent light presents no fire hazard, is incorrect, when it is so placed that its current may be perverted.

Mr. Smalley—I want to ask Mr. Low if he has not found in most of these plants scattered around through the West, that they use the same wires to run the current in an arc light and an incandescent light—that is to say, are they not to be found in many places, and that it is not almost an impossibility to provide against it. I have seen an arc light on the outside and an incandescent inside, all over the same wire. That being the case, they are certainly dangerous. I have known several fires to come from that very cause; the wire was certainly overcharged.

Mr. Low—In the earlier days of electric lighting it was frequently the practice to place arc and incandescent lights on the same arc circuit through the use of the multiple-series system of electric distribution. This has been found to be a very hazardous practice and its use is now prohibited. The condition then presented has now been reversed to excellent advantage, as arc lamps are now often



burned from low pressure incandescent circuits. This new method reduces the hazard in that it eliminates the use of high pressure circuits.

Mr. Swett—I would like to ask Mr. Low the question if, in his judgment, how far the sparks or flakes thrown off by the burning carbons will fall before they are cold or become extinguished.

Mr. Low—That depends upon what Mr. Swett terms a spark. A spark is merely a particle of carbon dust, which is most minute and cools at once. I have endeavored to ignite tissue paper with such sparks and was never successful. Flakes are of varying size and usually fall into the globe and are white hot.

The most potent hazard is in the use of copper plated carbons for arc lamps. The reason for that is this: Globules of copper are thrown off from copper plated carbons in a red hot state. They easily imbed themselves into the inner surfaces of the globe, and every time the globes are swept out there are a large quantity of copper shot which were once red hot and have cooled off. I have seen a sheet of plate glass with splashes of copper from an arc lamp imbedded in it. The distance was 60 inches that the shot had to fall, and they actually contained heat enough to imbed themselves into the glass. The hazard arising from placing ignitable materials under arc lamps must now be apparent.

Mr. Swett—I had two cases, one of which was a claim by the assured that the fire originated from flakes thrown off by the carbon. The carbons, of course, were entirely within the globe, the bottom of the lamp was entirely closed. One of those was on Kearney street near Sacramento, year and a half ago. The bottom of the lamp was entirely closed—no room whatever for the shot to get through, nor was the globe broken. I had one in San Jose, in which we accepted the theory of hot shot as a basis, and I think that was correct, because the lamps were open, and permitted the globules to drop through, and ignited the clothing. That was the point I wish to arrive at.

Mr. Grant—One question more: Do the two wires go together through the same conduit?

Mr. Low—I have always maintained that it is a good and safe practice to run the two wires through one tube. I will be very glad to read you the report I have submitted to the Underwriters' International Electric Association. Of course I will await your instruction in that matter.

President Ives—I think the Association will be very glad to hear from it.

Mr. Watt—While he is out of the room let me say, I hold in my hands the rules adopted by the Pacific Insurance Union, published in a little pamphlet, copies of which can be had on application to Mr. Low, free of charge.

Mr. H. H. Smith—In some of the permits granting use of electric lights, there is a warranty put that the arc lights must be protected by spark arresters. The other day I had a case in a store—the store of Weinstock & Lubin, of Sacramento, where they have some eighteen arc lights, none of which are protected. I expressed my surprise at the fact, and the manager, Mr. Phipps, said that Mr. Low came there, and thoroughly examined the circuit and pronounced it perfect, but whether that was prior to putting in the arc light, I don't know. When I came back to San Francisco, our Mr. Conroy of the Pacific Insurance Union stated that the spark arresters were not used. I would like to ask Mr. Low about that.

Mr. Low—The matter is one of course that is very familiar to me. The first use of the spark arresters was due to the impression that the sparks I have described were the cause of many of the fires attributed to arc lamps which resulted in the promulgation of the warranty referred to and which has never been enforced.

Preliminary to the reading of this report, I may state that it was brought about by an action taken at the Boston meeting of Underwriters' International Electric Association last September, which compelled the use in the wireway system, of two tubes through which to run the wires independently—separate tubes throughout. I have found upon examination, and I think that report conclusively proves,

that only benefit accrues in running ultimate wires in the same tube.

(Reads report.)

#### REPORT OF SUB-COMMITTEE ON INTERIOR WIRING.

*C. M. Goddard, Secretary Underwriters' International Electric Association, No.  
55 Kilby Street, Boston:*

DEAR SIR:

The permanent sub-committee on Interior Wiring and Wireways has to report as follows with reference to the proposed amendment "E" to Rule 22 (edition of October 1, 1893), requiring that "wireways must not be supplied with twin conductors, or two separate conductors, in a single tube."

If two wires of opposite polarity are in actual contact throughout their length, trouble may occur in the following ways:

Case 1—Overheating of the conductors from a dead or partial short circuit, the circuit being excessively fused.

Case 2—A dead or partial short circuit or a heavy leakage in an excessively fused circuit may burn off a wire at the point of contact, which may occasion—

Case 3 Arcing, the heat of which will cause—

Case 4—Ignition of the insulation.

Case 5—The insulation, if wet, may be ignited from electrolytic action.

Case 6—A partial short circuit or current leakage resulting in the electrolytic liberation and ignition of explosive gas.

Assuming these wires to be in contact throughout their length and exposed in open air, incipient fire will be caused by the occurrence of any accident except that cited in Case 6, in which the gases will be dissipated and rendered non-explosive. Case 6 presents the only hazard distinctive to wireway construction, in which the liberated gases are confined, but, as yet, the hazard is a theoretical and not a practical one. But one accident that might be attributed to the cause assigned in Case 6 has been cited. In this an explosion occurred in a vertical conduit imbedded in a side wall. No fire resulted therefrom and no damage occurred beyond the breaking of plaster. Considering the fact that a short circuit will sometimes occasion considerable violence, it is as probable that the accident was due to this cause as to an explosion of liberated gases, as charged.

But admitting for the moment that the explosion did so occur, it could only have been due to the presence of moisture in the tube. If the ends of interior conduits are closed, per Rule 22, circulation of air through the tube, with consequent condensation and precipitation of moisture, is rendered impossible. The explosion would then be the direct result of a violation of the requirements and would be chargeable accordingly. Again, conditions favorable to condensation within tubes are far more propitious in fire-

proof buildings than in wooden ones, which further depreciates this hazard. The opinion is held, therefore, that the occurrence of fire per Case 6 is extremely improbable, if not impossible.

Cases 1 to 5 inclusive resolve themselves into two ultimate classes when the conductors are exposed in air. They must also be contiguous to ignitable material, otherwise fire could not ensue. These two classes are:

1. Ignition of foreign inflammable material from a heated wire, and
2. Ignition of foreign inflammable material from the flame of burning insulation or of an arc.

It may appear that Class 2 embodies the situation, but experiment proves Class 1 (Case 1) to be distinctive for the reason that invariably overheated wires will ignite some foreign substance, such as wood joist, or cleat, which in turn ignites the melted through insulation—not *per contra*. The danger presented is apparent.

If the wires are encased in wireways, the hazards presented in Cases 1 to 5 and as summarized in Classes 1 and 2, are at once obviated. Experiments made before various underwriters' organizations and elsewhere, have led to the acceptance of the fact that conduit will safely confine two overheated wires, which obviates the danger presented in Class 1. The occurrence of fires from the cause summarized in Class 2, namely, the ignition of foreign inflammable material (1) from the flame of burning insulation and (2) from the flame of an arc, is fully obviated in the facts (1) that combustion (oxidization) cannot exist in a closed tube, and (2) that an arc will burn away the insulation, bringing bare wires into short circuit and throwing the current off the wires through the blowing of the fuse.

The use of two wires in a single tube, therefore, averts the hazards enumerated in Cases 1 to 5 inclusive, which are well established and positive, and presents only the doubtful danger cited in Case 6, which is theoretical. Again, the use of twin wire lessen the hazard from grounding by localizing grounds, owing to the proximity of wires of opposite polarity in a single tube. Furthermore, the carrying out of Rule 22E in its present form increases the cost of conduit installation by from 25 to 75 per cent., varying with the character and size of the building.

The Electric Committee has heartily endorsed and recommended the general use of wireways for rendering concealed wiring permanently accessible because of the extraordinary and perfect facilities afforded therein for universally effecting safe electric wiring. Consistency therewith cannot be attained through the enactment of unnecessary restrictions which vastly enhance the cost of wireway construction and prove effectual in retarding its introduction and general use.

Your permanent committee on Low Potential Inside Wiring, Concealed and in Wireways, therefore, recommends the modification of Rule 22E so as to read as follows:

22. Interior Conduits.

- E. Must not be supplied with twin conductors, or two separate con-



ductors, in a single tube, except in ultimate circuits carrying current not in excess of five amperes.

Respectfully submitted,

Committee.

President Ives—I think Mr. Low is entitled to a great deal of credit for the instruction he has given us. The next paper is on “A Special Contract,” by “Anon.” As he is not here, Mr. H. M. Grant has kindly consented to read his paper.

Mr. Carpenter—Are we to listen to any paper not written by an insurance man?

President Ives—No, the chair ought perhaps to explain that the writer is an insurance man, rather inexperienced—he is certainly an insurance man, and we hope an underwriter.

Mr. Dornin—When I was a lad, I used to read a great many papers written by Mr. Anonymous; I consider him a man of great versatility.

President Ives—I think when you have heard the paper that you will say that it is all right.

Mr. Grant—The writer has chosen to keep his identity unknown, but I don't agree with the president that he is an “inexperienced” man. It looks to me as though he was very competent to handle the subject, and it is a pity that he has not put his name to it.

Reads.

#### SPECIAL CONTRACTS.

Special contracts can seldom be looked upon with favor. As a rule they are apt to cover interests substantially different from the usual run, and consequently carry with them obnoxious features. The most objectionable form of this special contract is the insurance on mortgagee interests, and while it is true that no company in this enlightened age will issue a policy directly to the mortgagee on his interest as such, we all do so in effect by attaching the subrogation clause to our policies. This paper is not intended, nor presumed to present, a new idea; quite to the contrary, it is almost a chestnut; but the question is so important, involving so many fine points, that having observed that no elaborate paper was to be written on this subject, determined to ask the President to accept this as a meager contribution to the present proceedings.

I find that in the last two or three years the question has been seriously agitated on this Coast; that excellent suggestions from time to time have been put forth, but that very little action is taken, and especially through the Association of the Underwriters. The object of this is to clearly bring the subject before this Association and thus make it a subject for discussion—one that clearly comes within the purview of this body.

The first question in controversy is the right of the mortgagee to demand any special contract in his favor; and the adjustment of this question is attended by a consideration of some very good points. Chief among these is the right of any man or corporate body to protect his or its interests; and second, the right of an insurance company to insist upon an equal division of rights and liabilities. Let us consider these.

#### THE MORTGAGE COMPANY.

The mortgage company contends that it loans money on values that are created by conditions and circumstances; that such values are estimated through the agency of a representative, and who is as likely to be mistaken as not. Again, that such loan is not altogether based upon the value of the land, but includes the value of the improvements, consequently his loan being above the value of the land, he necessarily seeks additional protection in a policy of insurance that will reinstate his collaterals in the event of a fire. This being the case, he is not willing to concede the right of an insurance company to cancel its policy, because when he effects this loan he does not care to be constantly annoyed by replacing the insurance from time to time, if the company should wish to cancel. Hence his desire to omit such a right and trust to luck in forcing a company to continue the insurance, upon the theory that the clause omitting this right cannot be invoked by the company. This proposition, however, can be set at rest by the very excellent opinion of the Court of Appeals of New York wherein it was held in "International Life Insurance Company vs. Franklin Fire" that notwithstanding the omission in the clause of this right, the policy condition would prevail, and in the absence of a declaration to the contrary, the company could cancel.

#### THE LOAN COMPANY.

The loan company contends that when it takes a policy of insurance for a stipulated amount from company "A" as a collateral for a loan, it is unfair to force that policy into contribution with other policies existent upon the same property. That is to say, the mortgagee takes this policy for a given amount to protect its own loan of \$1,000; and that if, in the event of a loss of \$1,000, five companies having policies for similar amounts should contribute to this loss, the policy for this mortgagee would only pay \$200. Its interests, therefore, are not subserved in the mortgage insurance. Hence the absence of the contribution clause from these forms. On the other hand, if there be no clause of this character, the company might as well have executed its policy direct to the mortgagee. It carries a greater burden than is equita-

ble and there is no reason why the said mortgagee should not have its contract restricted by the presence of such contribution clause.

To further protect itself against the annoyance consequent upon the change of mortgage interests they insert the word "assigns," which enables these mortgages to be transferred as many times as may be necessary and without notice to the company. On the other hand, suppose that this mortgage should come into the possession of a man notoriously immoral and whom the companies all looked upon with distrust, is it fair, by the use of such a word, that the insurance interests shall be prejudiced because of their failure to know of such hazard, and consequently cancel? Further than that, if facts should come to the knowledge of the company showing cancellation absolutely imperative, it is necessary to make investigation as to who the present mortgagee or beneficiary is, and the obtaining of such knowledge may take even more time than the remainder of term for which the policy was written, consequently during that time the company may have inherited its loss.

"AS HIS INTEREST MAY APPEAR."

A large number of these mortgage forms contain a provision that the loss shall be payable to the mortgagee "as his interest may appear." While, without the support of any adjudicated case on this point, the language in itself is sufficiently suggestive, yet companies continually ignore it and permit policy after policy to be so endorsed. The word "interest" is comprehensive. As underwriters you know when you so endorse a policy, that *you* refer to the mortgage interests, but the court in passing upon a controversy of this character is compelled to take the language, the possible intent of such endorsement and the sequent relation that the payee holds the contract. He may have changed his "interest" from that of mortgagee to owner, and from that again to payee as vendor under a contract for sale, and notwithstanding the explicit conditions of a policy regarding change of ownership, the language is ambiguous, the intent is not clearly defined and the court may consider that the contract was for the interests of himself, and that as such would pass to whatever "interests" he had in the property. Therefore, the policy as to him would be valid following such successive interests. In fact, this doctrine has been substantially maintained in the supreme court of New York, and whether it be tenable or not, it is of such doubtful meaning as to be very well avoided.

I learned recently that some one here has discovered a clause wherein the mortgage company attempted to restrict the contribution of its policy with that "of valid insurance" only, and that it is the purpose of these loaning corporations to arrange the clause so as to appear generally an accepted form, but by the insertion of some little word of this character to completely change the complexion of the contract. It will also be noticeable that if these printed clauses are not scrutinized carefully they will contain language even in the subrogation clause that is so constructed as to make its value as such very questionable: that an insurance company would pos-

sibly find that the expense and bother of such subrogation and acquirement of rights would not be warranted.

#### A PRIOR RIGHT.

Now, if we attempt to argue *in extenso* against the arguments of mortgage companies, we find the subject prolific of controversy and almost endless discussion. But there is apparently one feature worthy of consideration, and that is that the insurance company, by the very nature of the risks assumed and the contingent character of its liability, has a prior right. The loaning company is in possession of facts sufficient to guard against a loan that would prove disastrous, both by proper investigation and discretion in its line of margin, but the insurer can only use that protection which is afforded by his judgment of the risk in its physical hazard. He then plays the game of chance.

On this basis, receiving but a small amount for the liability assumed, the company should have greater safeguards surrounding the contract that it makes. When it is found in the experience of the business that none of the essential conditions of a policy can be waived with safety, the companies should unite in a strenuous effort to arrest this tendency to surrender all that they have. It would occur to me that it would be easy to establish a form that would be alike fair to the mortgagee and the company, and I sincerely trust that if this paper serve no greater purpose in arousing consideration of this subject, it will at least result in the appointment of a committee that will take ample time to review this entire subject and present to the managers of the companies a form for adoption.

Many of the loaning companies are over arrogant in their demands, and it is in this attitude that the underwriters may find trouble lurking.

#### ARSON.

There are many interesting cases to be recited under the operation of this *ex parte* clause and I will not take up your time by their recitation, but one comes to my knowledge which will be of interest and serve to illustrate that under the apparent glittering promises of a mortgagee under this clause, the companies carry a hazard that they had not considered and that in reality no premium can pay for.

The company in question insured the building of a man in Washington. After securing the insurance he mortgaged the property for all that it would stand. The usual mortgage and subrogation clause was attached to the policy. The assured effects large life insurance and then deliberately plans his campaign. Securing the body of a recently deceased person, he places it in his house and at midnight causes the building to be burned, immediately making his escape from the country. The wife at the time of the fire was away, and the next morning the neighbors discovered the property burned and the partly incinerated corpse. The presumption, of course, was that he had been burned in his own dwelling. The wife made claim for the life insurance, which, however, was not paid, because the plot



was proven against him; but the fire company was compelled under its clause to pay the loan company the amount of the mortgage, and, of course, became subrogated to the rights of the mortgagee.

Here is a case illustrating deliberate fraud and arson, yet under that language of the "special contract," "any act" of the owner the fire company was compelled to pay. There many other cases of equal interest, but permit this to suffice. I would state that in my opinion a vast number of the forms now in use are absolutely dangerous, and that if policy and endorsement clerks are not in the habit of reading each clause separately, such instructions should be given at once. The exigencies of the question require it and every manager will find that in such careful scrutiny the time will be well expended.

ANON.

(Applause.)

Mr. Carpenter—I suggest that the writer of this paper be appointed chairman of that committee.

Mr. De Veuve—Mr. President, this matter of mortgage clause was embodied in your annual address this morning, and I believe it is a very important subject, also the contribution clause. I think this committee you appointed would do well to recommend to the Pacific Union adoption of the New York standard. I don't believe we could in this Association, afford to say that we are going to regulate the business of the loan companies, or that the loan companies are going to regulate our business, but I believe it is possible for us to get the thing in proper shape, and place it before the Pacific Insurance Union, and ask them to adopt some standard or other of mortgage clause, and that it would benefit us and in fact the Association at large.

Mr. Carpenter—There is one thing I think will be of practical benefit, and might be done. Take the Mutual Life Insurance Company of New York: they are large loaners of money. I think we could procure samples of the forms which are used by those companies, large money loaning companies, and formulate some ideas from them.

Mr. Osborn—Some three or four years ago, I became quite interested in this subject of mortgage clause and had some correspondence with eastern underwriters. One gentleman in particular who was an officer of a very prominent American company, intimated in his cor-

respondence, that it was a piece of presumption for anyone on the Pacific Coast to think for a moment that he could handle a question which New York and Chicago were totally incompetent to cope with. In reading over the journals, I think some three months ago, I observed that the Chicago Board of Underwriters had made it absolutely obligatory for all companies of that body to use a certain form. They have made it mandatory to the extent that they will not approve any policy that does not contain it. I believe it is substantially the form of the New York standard, with the exception of the language "as his interest may appear."

Mr. Dornin—I want to reply to what my friend says. The evil has grown rapidly within the last few years. The agents in the country are also agents for the loan associations. They get a commission from the loan companies, and also a commission from the insurance companies. In my own experience, I have for the past year positively prohibited and refused to approve any of the patent forms, and have been successful. In a great many instances the loans are for small sums, and are on property more or less remote from the agencies. Agents desirous of affecting loans will often fix the values themselves, as well as negotiate the loan, and affect the insurance. So I think from every point of view, the reports of policies issued on property mortgaged to these loan associations, should receive the most critical inspection by the examiner. Some two or three years ago, I remember a committee was appointed for this very purpose—of recommending the nature of contract for these loan associations, savings banks, &c. I am not aware that any report was ever made. I think the conclusion reached was, so far as our home banks were concerned, there was no difficulty in the way. We have very few loan associations in California. They come from the far East. Their territory has been largely in the middle West, which they have covered with mortgages very completely, particularly in Oregon and Washington. But to come back to the original proposition, I think that we can, by a little care and courage as individuals, set up a law that we will have no other forms than we furnish our agents. I think we will be able to make it stick.

Mr. De Veuve—I am glad that Mr. Dornin has been so successful

with his agents, but none other of my associates seem to have had the courage to do the same. I believe the only difference in the clauses is that some clauses, as Mr. Ives said this morning, contain a wording regarding other insurance, whether valid or not, or invalid or not. The word invalid is omitted; then again the matter of "as interest may appear," which I believe is a very proper form. It would be impossible for the companies to set aside their interests. The New York standard form is a very proper form and all underwriters are aware of it.

Mr. Dornin—I think if the general agents and managers of the companies would recognize that the policy conditions furnished by their companies are prepared by the companies and that they have no right under their contract with their companies to interfere therewith, it would be much better. In my correspondence I have taken that point of view, that I have no right to suspend any of the cardinal principles nor will I permit it to be done.

Mr. Wetzlar—I didn't have the pleasure of hearing this morning's discussion regarding the Mortgage Clause, but I listened very attentively to all the papers and discussion this afternoon, and I find that the common drift of opinion seems to be in favor of the present clause of mortgage as now attached to the policies of the different companies, and I find that the remedies suggested in that paper in rather a crude way. The gentlemen seem to have hesitancy in expressing themselves as regards a remedy for the evil. I think that by a joint action of the insurance companies, if lived up to honestly by the different members of the Union, we could entirely remodel all this field. I am heartily in favor of and would suggest that this organization appoint some committee to dip into the subject, to look into it cautiously and studiously, and in some way, shape or form present to the Pacific Insurance Union the subject in a manner whereby that body can see from the various forms in use, what they should do.

Mr. Ives—Mr. Wetzlar, the committee was appointed this morning to consider a paper read by the Chairman which embodied the suggestion you have mentioned and I presume will report to us some-

time during to-morrow, probably in time for our business meeting in the afternoon. Possibly after their report is received some other committee may be in order to take up the Mortgage Clause.

Mr. Wetzlar—I ask the indulgence of the Chair. I was not present when the President read his report.

Mr. De Veuve—Who was that committee?

President Ives—Mr. Lowden, Mr. Smalley and Mr. Sexton.

Mr. Dornin—I move we adjourn.

Mr. Grant—It seems to me to be well enough to refer the suggestions contained in this paper of Mr. Anon to the same committee that takes into consideration the President's address upon the same subject—the Mortgage Clause—and make a motion to that effect.

President Ives—I would suggest that the committee would probably make a very brief report. I don't think they have time, they have so much to do. I think the committee has been appointed more to put the matters in form for discussion at the business meeting to-morrow, and whether they would care to assume any further responsibility in the case of the mortgage form is somewhat doubtful.

Mr. Grant—I am quite willing to withdraw my motion if in your judgment it would be better to appoint a special committee.

Mr. Lowden—I don't see that it is necessary to have another committee. We may have some suggestion to make on it and have the Mortgage Clause as a basis.

Secretary Osborn—At the last annual meeting we passed some amendments that have been in trouble ever since, and I believe it will be best to bring them up at this meeting rather than to have a repetition of this thing. I would suggest that members in this room make an effort to get proxies from those who will not be present, and come prepared to settle this controversey.

President Ives—I might add further to what the Secretary has stated; it seems that a two-thirds vote of all the members is required, either personally or by proxy. We have struggled for a



year to get two-thirds, either by person or by proxy, and up to the present have been unable to do so, and I hope you will follow Mr. Osborn's suggestion.

On motion of Mr. Wetzlar the meeting adjourned to February 21, 1894, at 10 A. M.

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## SECOND DAY.

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WEDNESDAY, Feb. 21, 1894.

10 A. M.

President Ives took the chair and remarked that "from the light attendance this morning it looks as though the majority of the members did not understand the time of meeting. The first thing this morning is a paper by Mr. Weinmann on the 'The demands of the Times.' "

Mr. Weinmann reads.

### WHAT THE TIMES DEMAND.

As we review with dread the appalling fire waste of 1893, combined with an alarming shrinkage in securities, and in many instances an unusual decrease in surplus, it does not require a very discerning mind to perceive that the emergencies of the times demand that more thought be given to the science of underwriting. Active competition, the desire on the part of the home offices to have sole representation, the greed for business by fair means or otherwise, often to the total exclusion of honor, the vital part of our profession and the foundation on which it stands, the disregard and ignorance of the elemental doctrines of insurance and the many fallacies that have broken into our ranks, the abuse of which challenge the attention of all, are the direct causes for the present condition of affairs.

Admitting that in some instances expediencies may be invoked for ultimate good, their continued use is not only flagrant violation of rules, customs and principles of underwriting, but is also detrimental to all who use them. Valuable and indispensable as fire insurance has become to the civilized world, and surprising as regards its growth and success, yet unless

the warnings of the times are heeded, disaster and failure will be of common occurrence.

#### INCREASING EXPENSES AND LOSSES.

The great and seemingly extravagant expense of conducting our business and the excessive and increasing loss ratio should attract the minds of those who have the management and a unity of action secured. There has been a time when the influence of an individual company was acknowledged, but now the insurance business has grown to such vast proportions that individuality is lost sight of. This altered condition which confronts us involves a radical change in the methods which we should pursue. The time is ripe in extending the scope of combined organization, in studying the question of a wiser economy in expenditure and a reduction of fire waste.

If we will not adopt some feasible plan for our mutual protection, but continue to act as in the past, our burdens will be increased, for besides the evils we now have, public opinion will cause unjust legislative enactments, resulting only in our injury. An earnest effort should be made to unite in the organization all companies under the jurisdiction of the Pacific Insurance Union, and then, acting with a unity of purpose, seek to strengthen each other by working along the same line of support. Before a perfect organization can be accomplished, the management of the various companies should give positive evidence of broader good faith and higher integrity, coupled with a determination to pursue that course which insures the most complete harmony of plan and action.

#### MATTERS MAY GROW WORSE,

When you stop to consider the tendency of the day in changing our profession from a science to a mere barter and trade proposition, I hope you will concur with me in the justification of these remarks. Unless the organization can be affected as a remedial agent and applied to correct the thoughtless methods used in obtaining business, matters will grow from worse to worse, provoking a war of extermination among companies and resulting in the survival of the fittest. I say thoughtless methods, as no one will attempt to deny the fact that selfishness and greed for premium income have become so fearfully predominant that the mind of the average underwriter has been concentrated in securing a large number of risks, almost to the total exclusion of quality or desirability and utter disregard of insurance rules and etiquette. To gain this end policies have been liberalized to such an extent by removal of portions of the written contract, or by concessions made by endorsements or riders that many safeguards have been broken down, thus encouraging incendiarism and paving the way for the assured to make unjust claims.

Every deviation from the principles of underwriting adds to the expense, and therefore decreases the profits, which are the support of the business.

#### CLASSIFICATION.

That which is of primary importance, the rock upon which we stand, is honor, truth and fair dealing. Without these as a foundation our efforts

will be naught. Granting that all agree as to this statement, we proceed. The classification of risks should be an important factor for careful thought, for if conscientiously carried out, adequate rates will be established and loss ratios reduced. A uniform method of classification should be adopted, thus enabling each company to profit by the experience of all. A standard form of policy would place all on an equality and simplify matters in adjustment of losses. If not attached to all policies, the three-quarter clause should be made a part of every policy, permitting other concurrent insurance.

The mortgage clause, in fact all clauses, attached to our policies should be written so that we make no waiver of the printed part of our contract with the assured. All just claims should be paid, notwithstanding that a company could resist settlement on technical grounds. The refusal to consider such claims, although temporarily beneficial, ultimately causes attacks by newspapers, distrust of the general public and adverse legislation. It is to be regretted that the special agent, on whom the success of the company he represents depends largely, has been turned aside from his true vocation and has become no more than a salaried solicitor. This has been brought about through ignorance of the requirements of the special and a misconception of the methods to be followed in securing risks.

#### THE SPECIAL AGENT.

The times demand that the special be better fitted for his duties. Counsel him to study the profession he represents. Impart to him all the instruction in your power as to how adjustments are made, and refer him to books and capable authorities for further information, especially as to legal decisions, also defects in the construction of buildings. Numerous fires are caused by defective flues and electric wiring so common at the present day, especially in houses built by contract or on the installment plan.

All risks should be carefully inspected, but when not practicable, a rigid examination of the application or daily report, its physical hazard, its points of danger, the adjustment of insurance to value, and the financial standing of the assured is necessary.

Without suggesting further, let us brush away the discord that has long caused waning in our ranks and unite in one common cause.

United we are powerful enough to command the respect and confidence of the business world. Let there be honorable co-operation, suffering neither selfish prejudices nor aggrandizing purposes to swerve us from measures for our common good.

The world has always recognized the value of a character in which faithfulness to duty is predominant. Carrying with us a true love of our profession, with integrity as the polar star of our existence, we may be safely guided to honor and success.

LOUIS WEINMANN.

(Applause.)

President Ives—Has any member got any plan to offer to obviate

the difficulties Mr. Weinmann has set forth, or any one of them; we would be glad to hear from him.

Mr. Gunnison—I would suggest that the paper would be very useful to be read before the managers of the companies and would do a great deal of good.

President Ives—It will be published.

Mr. Gunnison—I fear they don't look at the report.

Mr. Watt—I don't want to start so early in the day to talk on every subject that comes up, but I would like to ask a question: From your long and extensive experience, answer how can two general agents of about the same age and experience and about the same standing in the business community, pursue diametrically opposite courses—one grasping for large premiums, writing liberally and freely, large lines on practically everything that is offered, and the other writing small and conservative lines and only in certain protected towns—and both make money? Whose example is the young underwriter to follow?

Mr. Frank—Try both sides.

Mr. Watt—Well, they both make money.

Mr. Andre—That is very much like the homœopathic doctor.

Mr. Swett—I think Mr. Watt's suggestion is worthy of consideration. I have studied those points quite thoroughly and he has it when he says both make money. One was conservative and sure and the other by writing so extensively got his general average by carrying so many, struck the average. The middle course is the uncertain one.

Mr. Sexton—It is easy to ask questions and discuss theories. The suggestion of a three-quarter value clause to be put in every policy is a practical matter because one of the courses of the business now is that a man who has a dollar's worth of property can get \$10,000 worth of insurance, as the adjuster finds when he gets around to settle the loss. The special agents ought to be something more than solicitors—ought to be educated to something else. A special agent can examine risks, pass on them, value the property and re-



port to his office. That this man has \$10,000 on his property and it is a good risk and that this one is a poor risk, and after the report has gone in, that man will go out and get \$6,000 more insurance, get \$12,000 on a \$10,000 stock; then it is certain it would be a bad risk, there would be no question about it at all. This is the reason that two specials visiting the same field in speaking of a risk at different times would make different reports. Ten or fifteen years ago, when companies would only write policies when the total insurance was stated and when only seventy-five or eighty per cent. was permitted, it was very different. Now has the Pacific Insurance Union in its wisdom grown silent on these points and allows everybody to take as much insurance as they want, regardless of the Three-quarter Clause. And I am in hopes the meeting will report favorably on the Three-quarter Clause.

Mr. Weinmann—Mr. President, while Mr. Sexton's remarks are correct, his ideas of special agents at the present day do not meet with my approval, because I think beside physical hazard there is moral hazard. A special in visiting a town looks over the risks and makes a report on the building and surrounding exposures, and also sends in report on the moral hazard of the assured, and the reason I suggest the three-quarter clause to be attached to all policies, is so as to offset the moral hazard.

President Ives—Are there any further remarks on these questions? If not we will proceed to the next paper. Last year when Mr. Carpenter gave us a song at a banquet in regard to the Modest Mannered Maiden, I do not know but many of us thought that was about the strongest case of modesty in this business that has ever been known. There are a couple of young gentlemen, however, who at the request of the Chair tried to help us out—Mr. Fuller and Mr. Fabj—by their joint efforts have produced a paper which we shall be glad to have presented to the Association. Mr. Fuller, after strenuous urging, has at last decided to read it.

Mr. Fuller—I have no particular excuse to offer for this paper, as I believe it is a subject worthy of your consideration. I must say, however, that the paper was prepared hurriedly by Mr. Fabj and

myself while on the train enroute from Portland, Or. It consists only of a few facts thrown together intended as suggestions and was made intentionally brief.

Reads.

#### BUREAU OF INVESTIGATION.

*To the President and Members of the Association of Fire Underwriters of the Pacific Coast:*

GENTLEMEN:—

The alarming increase of fraudulent claims in the Pacific Coast field during the past few years, and more particularly the year 1893, we believe warrants the suggestion to this Association that some means be devised for the detection and suppression of incendiary vice, to which fire insurance interests are in a great measure subservient.

While this is undoubtedly a problem most difficult to solve, we believe there is a way possible whereby more satisfactory results may be attained, tending to the diminution of fire losses from incendiary origin.

The suggestion which we desire to present for your consideration is the establishing of what may be properly termed a "Bureau of Investigation," which should consist of a competent and thoroughly reliable chief officer, aided by two or more efficient associates, whose duty it should be to devote their entire time to the investigation of incendiary fires and defeating fraudulent claims.

This "bureau" could be under the control of the "arson committee," or a committee selected especially for the purpose. We believe the expense of maintaining such a bureau would not necessarily be large.

From our observation of recent fraudulent claims investigated independently by some of the offices, whereby thousands of dollars were saved to them, we believe the benefits of a "Bureau of Investigation," working in the *combined* interest of *all* the companies, would undoubtedly produce better results proportionately, not only in a direct saving of dollars and cents, but the benefits that would be derived from the moral effect, by preventing fraud, appear to us as being inestimable.

R. P. FABJ,

J. L. FULLER.

(Applause.)

President Ives—There is no question, gentlemen, but what it is a valuable suggestion and would benefit generally, the Association.

Mr. Grant—I would say simply, it would seem to be a matter of expense, however, that would need to be pretty seriously considered,

mostly because companies generally depend upon themselves in ferreting out fraudulent losses.

Mr. Swett—I think this suggestion might be a good one, and move that the executive committee be empowered to go for the executive committee of the Pacific Insurance Union and bring them in here and compel them to listen to this report.

Mr. Sexton—I hope this needs no second; it is certainly no punishment to be brought in here to listen.

Mr. Fuller—I would like to hear from Mr. Fabj on this question.

Mr. Fabj—Mr. Fuller has expressed my sentiments very fully in the paper.

Mr. Andre—Mr. President, I think it is an excellent idea. In the State of Nevada where I started in to learn something of insurance, they have an excellent law which is known as, I think, the “Fire Inquest Law.” After a fire any citizen can go before a Justice of the Peace and demand an investigation as to the cause of the fire. Some years ago I was up there. A man had rented a blacksmith shop at least there was a dispute about the title, and it took fire. His neighbor demanded an investigation, and the result of the investigation was that the man was put in jail. He got out on bail and was lost sight of for several days, and was finally found lying dead in the building which was only partially destroyed. He shot himself. I think the moral effect of the law is good. Where an adjuster will come and settle his loss, perhaps in a day or two—two or three days—the adjuster has not the time even if he has the ability, to investigate the matter thoroughly, if the assured knows that there is a probability of a thorough investigation, the moral effect is good. If an adjuster finds a loss is suspicious, he starts to investigate, it might take, perhaps, ten or fifteen days to find out all the facts. And if he would undertake to do so on his own responsibility, it would be all right if he succeeded, but if he failed—“Well, we don’t want Mr. Andre or Swett any more, we can get good men to do that adjusting in a good deal less time.” Therefore, I think that is a good idea.

Mr. Gunnison—I do not wish to be considered as taking up too much of your time but I will say that I have given that case a good deal of thought for several years, have tried to formulate some plan and have expressed my ideas to some leading insurance men and have met with a great deal of encouragement. In regard to that law in Nevada I have spoken of it within the last few days. Before it was passed, fires were a frequent thing in and about Virginia City and other places in Nevada, and adjusters found suspicions were very strong and you know it generally stops there, at suspicion, and the loss is paid. Now, a few years after this law was passed, I was up there to adjust a loss and one of the citizens said he believed that this law had stopped incendiarism almost entirely. They found that property that had depreciated in value would be over-insured for more than its value. They would set it afire and get from the insurance company twice or three times as much as anybody else would have given them and they found out that after this law was passed and inquests were held in regard to fires, that almost invariably the question arose as to the value of that property, and it came out very frequently that it had been offered for sale for half what the insurance companies would insure it for. It would arouse suspicion and they would call in this neighbor and the other neighbor and find out that it had been set afire and they had become scared and this prevented fires to a great extent. Now, there is another question in regard to that matter of an investigating bureau or examining on whom the onus can be placed and whether it is incendiary or not. You relieve the insurance company of the responsibility—the bureau shoulders it.

Mr. Fuller—Mr. Fabj and I would like an expression from the members if it is not advisable to establish an independent bureau, then I would strongly urge that the companies individually prosecute those cases more than they have been doing in the past. Members who have handled losses, know very well that a great many of the cases are fraudulent. I have seen the necessity of being competent to ferret out those things, and in my failure to do so, have had to take proofs and pay the loss. Whereas I knew very well that



a competent man in the investigation of that claim could probably prevent the payment of same.

Mr. Sexton—There is no question about the necessity of something like this. Mr. Gunnison and I talked it over on the quarter deck of a stage coach, thirty or forty years ago, and it has not reached a method yet. It is the old story of who would “bell the cat” and it stops right there. So I am not certain that each man will not have to do his own fighting and his own running as usual.

President Ives—If there is nothing further to be said with reference to the establishment of a bureau for the investigation of losses, we will call for the next paper in order, which is: “Use and Abuse of Compacts,” by our talented friend E. W. Carpenter.

Reads.

#### USE AND ABUSE OF COMPACTS.

USE: Profit through legitimate competition.

ABUSE: Profit through competitive deception.

It is really unnecessary to elaborate upon the foregoing definitions, and my comments will be very brief. I know there are those who lay great stress upon the benefit of insurance Compacts to property owners. While it is true that, by enabling companies to keep solvent and by encouraging, through discriminating ratings, superior building construction, etc., they are of said benefit; nevertheless, they are primarily created for the purpose of profit to their members.

“To do good and make money” might be a proper motto for them, if you upset it and put the “do good” in small type. I speak pointedly purposely because there seem to be so many who are disposed to refer to a Compact organization apologetically, and as if it needed to go before the public disguised in a mantle of benevolence.

#### ALL KINDS OF COMPACTS.

What other business acts as if it were ashamed of the combinations made in the interests of its members? The doctors who help you into and out of the world carry their combinations to an inhuman degree; the druggists have their tariff rate for porous plasters, purgatives and pukers, and the undertaker will bury you under “Compact” conditions that may be oppressive but you don’t know it. The nations of the earth, notably those of Europe, group themselves into what may be called Compact districts from purely selfish motives; the workingmen that work and those that don’t, unite to maintain wages; and even in the order of the universe

there seems to be an understanding between the spheres that each shall keep its place, and that "competition, the life of trade," shall not cause the Dog Star to tackle the Heavenly Twins, nor the Big Bear to swallow the Virgin.

#### THE DANGER ZONE.

The necessity for the formation of Compacts is greater in the insurance business than in any other, because of the width of the danger zone which lies between success and failure. In the case of manufactured goods, for instance, the cost of production and marketing can be determined with considerable accuracy, and the "dead line" between profit and loss reasonably well defined; but, in the case of insurance, we sell the goods before we know what they are going to cost us, and the price charged must be arbitrarily fixed. Experience is of assistance to us in this connection, and if the experience of many companies can be utilized, as is measurably done, through the medium of the rating committees and surveyors in the case of Compact organizations, we are more likely to obtain adequate rates.

#### MANDATORY RATE.

If, besides aiming at what is likely to be an adequate rate, we, through the Compact, make this rate mandatory, we have, as nearly as possible, fixed a value for our goods by *artificial* means, with a degree of accuracy approximating that which *natural* means (cost of production, etc.,) fix for manufactured articles.

When God created the earth He established certain laws and conditions which labor-saving contrivances may utilize but never circumvent, and which determine for the Connecticut Yankee, in advance, the cost of manufacturing clothes pins. Our New England friend can, with mathematical serenity, build up the cost of a clothes pin from the forest to the laundry, while we insurance men construct an airy castle in which incomplete experiences serve for foundation, and hopes, and guesses, bound together by Compact regulations, for the superstructure, and base our selling price thereon.

#### UNDERWRITING COMBINATIONS PROPER.

Bearing in mind the distinction above touched upon, might it not be admitted that combinations between the producers of material things might be "unholy," while underwriting combinations might be entirely proper?

Charity finds but slight lodgment in the insurance, or any other business. When the Spring Valley Water Company lays its mains in the streets of San Francisco, it finds no incentive in the text which refers to spiritual rewards to accrue from the giving of "a cup of cold water;" and when the legislator is biennially sent by some "unholy" political combination to Sacramento, he draws as much pay as he can and as long as he can, and has lead pencils to loan for ten years thereafter.

Insurance companies are organized for the express purpose of obtaining from their patrons more than they have to return to them, and the prime use of the compact is to enable them to do this through legitimate competition.

#### THE ABUSE.

Now as to the abuse: Well, what's the use of talking? If you are not familiar with the forms of competitive deception adopted, in connection therewith, I do not wish to post you. I will refer briefly, however, to the result of this abuse upon the underwriter himself. He becomes a member of a compact organization upon the assumption that the regulations mean exactly what they say, and are to be strictly adhered to by all members. He does not resort to the subterfuge of calling a solicitor a collector in order that he may pay him a salary in violation of the rules; he does not put his agency in the hands of a provisional syndicate of property owners and thereby practically give rebate to the assured; he does not get around the rules by a resort to those methods which are as much more dishonorable than a direct violation, as they are more cumbersome. Presently agents, solicitors, brokers and property owners commence intimating that they

#### CAN DO BETTER ELSEWHERE.

With faith unshaken in the honesty of his business brethren, and with the mental comment that interested parties are trying to "play one company against another," he stoutly maintains that all rules are to be *strictly* enforced, and refuses to make the least deviation. His business begins to shrink. Why? It is not because of the standing of his company,—one of the best in the land; it is not because of hard times (we are speaking of ordinary years), inasmuch as other offices are showing an increase; it is not for lack of effort. Can it be by reason of personal unpopularity? "Now you're talking," says his neighbor. And suddenly the underwriter under consideration awakes to a realizing sense of the fact that by attempting to be governed by a plain interpretation of Compact rules, he has antagonized the source of income supply. While his competitors are crawling on their bellies and groveling in the dust of deceit, he is standing erect, the

#### TARGET FOR EVERY HOSTILE SHOT THAT FLIES.

His astonishment is as great as that of a volunteer soldier during the battle of Bull Run. The enemy were about to fire a volley and the men were ordered to drop to the ground. One of them did not understand or obey the order. The enemy's volley came quickly, and then looking around him at the ground covered with men lying on their faces, he exclaimed, "Great God! All dead but me?" The aptness of this illustrative anecdote is evident when one remembers that twenty-seven out of a possible fifty in a prominent compact organization recently admitted having "fallen down," and, a majority of the executive committee having made the same admission, it was proposed that the constitution should be so amended as to require said committee, at least, to obey its own rules.

But we are losing sight of our unique underwriter. What can he do but accept the situation as he finds it, resort to the same twisting tactics as his competitors and enter the lists for competitive deception?

Herbert Spencer says: "The system under which we at present live fosters dishonesty and lying. \* \* \*

#### IT ENCOURAGES DECEPTION

to such an extent that an assistant who cannot tell a falsehood with a good face is blamed; and often it gives the conscientious trader the choice between adopting the malpractice of his competitors, or greatly injuring his creditors by bankruptcy." If we substitute "manager" and "company" for "trader" and "creditors," the foregoing quotation is a fair synopsis of the insurance situation under the Compact system, run on the "abusive" plan.

And so the underwriter who has assumed that his fellow Compact members intended to be governed by their mutual pledges, finds it was all a mistake; that he has been "undiplomatic" and "non-elastic" because he has not made slight concessions which entailed little faith-fractures one day, and greater ones the next. He finds that Noah Webster's definitions are not applicable to Compact literature, and because he thought they were that

#### HE IS ACCUSED

of attempting to put an odious interpretation upon the rules; he finds that the member of the Compact who obeys the rules himself and *expects others to do the same*, always has a grievance to be considered, and comes to be regarded as an enemy of the organization and conniving at its downfall, while the suave hypocrite who makes no complaints and is prepared to discount every trick of his competitors is the "good boy;" he finds that the abuse of the compact system, the obtaining of profit through competitive deception, involves either a loss of self-respect or of the business his company pays him for securing. Figuratively speaking, (and with apologies to Satan for using his name in this connection) he finds himself "between the devil and the deep sea." Is it strange that he has a lean ing towards the devil?

It is fortunate for your patience and my ability that your President, in nominating my topic, did not indicate that I was to suggest a remedy.

It is fortunate for your patience and my ability that your President, in nominating my topic, did not indicate that I was to suggest a remedy.

E. W. CARPENTER.

(Applause.)

Mr. Carpenter—Mr. President, I claim no experience with reference to the latter portion of this paper, and only tell that from hearsay.



Mr. Sexton—It is usual to say something after a paper like this, but as Mr. Carpenter has said it all there is nothing to say.

President Ives—The next paper will be "Value of Statistics," by Mr. Ben. J. Smith.

Mr. Smith—Mr. President and Gentlemen: When our President assigned me this duty it seemed to me that any remarks that could be made about it would be all prose and I set out to prepare the paper, and prepared a paper probably eight or ten sheets. After looking it over, it occurred to me to find out what some of the other papers were going to be on. I found out that one was classification, and going back to mine observed that I had practically written a paper on classification, so I put a pencil through the larger part of it. What I have here is the remnant, and I am satisfied that you will be better pleased with the remnant than the full paper.

Reads the paper.

### THE VALUE OF STATISTICS.

It is to be regretted that a paper upon the value of statistics must of necessity be an essay merely.

I should be glad if it were possible to furnish an array of figures proving conclusively that statistics are valuable, and it seems to me that it should require little argument to so convince any man, but a little inquiry among the various managers in San Francisco shows that not all of them so believe.

I do not remember that any of the several gentlemen, whom I have interviewed, have denied the value of statistics in the abstract, but when applied to localities, and especially to classes of hazards, they argue that the limited amount of premiums received, prevents any one office from obtaining the average. Granting that this argument is not wholly without force, of how little value is a general idea arrived at without the assistance of figures.

How often have our opinions, as to how has paid a certain agency, town, or locality, been entirely changed upon making up a summary of premiums and losses. I have recently had an opportunity of seeing, for a certain district, the combined figures of several companies, running over a term of years. These figures show a loss ratio of over 140 per cent., and yet the business of that district is diligently sought by the majority of companies.

An example in the other direction. A number of offices recently agitated for a substantial increase of rates in one of the towns of the Northwest. The general manager of the Union procured the figures showing the

experience of several prominent offices in the town, the result proving the present ratings to be quite adequate to cover losses and expenses. The chief agitator found to his surprise that his experience had been exceptionally favorable.

Statistics should, however, be used with caution. It has been said that figures do not lie, but they may be dreadfully deceptive and are frequently made up for this sole purpose. There are many circumstances tending to modify, if not entirely reverse, results shown by figures only.

There are usually what, for want of a better word, I will term "pitfalls" even in the simplest statistical statement, the nature of which are known only to the compiler. Any one else should make a most careful use of statistics, ascertaining from the compiler any circumstance out of the ordinary, needing explanation.

Statistics and general knowledge should always be brought each to the assistance of the other. Used together they will be found of great value, separated, years of experience and millions of dollars have gone for naught.

BEN. J. SMITH.

(Applause.)

Mr. Watt—Pardon me for speaking once more. An item mentioned by Mr. Smith in his paper was one of more than usual interest and which I am going to emphasize. One member of this Union got it into his head that the rates in a certain prominent town in the Northwest needed to be advanced, and brought the subject before the executive committee, to advance the rates. As conservatism sometimes marks its course, the executive committee, before acting, made inquiry for themselves on that particular town. It was surprised to find that the business as a whole, had been quite profitable, and the man who made the application to have the rates increased found, to his great surprise, that he had made considerable money there. His application for an increase of the rate was withdrawn. It is therefore a good idea to keep figures in reference to each town in which we do business, and have the income from these towns and the losses separately tabulated in a book prepared for that purpose, and whenever such information is called for, we may give it promptly, and be able to arrange rates on this Coast so as to make a profit.

Mr. Swett—Bearing upon that paper of Mr. Fuller's. I wish to say the records of my office show that 65 per cent. of the number of

losses which I have adjusted, occur within the first two and the last two months of the life of the policy—certainly very suggestive. That is bearing upon the recommendation of Mr. Fuller.

Mr. Weinmann—Mr. President, in referring to that paper in regard to stocks, I think it would be beneficial to all the companies on the Coast. If each company would keep a classification of the risks it has on its books, we would arrive at the same result as though we had a standard for all classification.

Mr. Carpenter—The objection to that is, that men have different ideas in regard to classification, and I don't believe the managers on this Coast would be desirous of doing it.

Mr. Dornin—It may be made to work admirably, Mr. President. I had at one period in my official career, two sets of companies; one required the English plan of classification and the other the Hartford plan, and in trying to classify under these two systems, we sometimes found ourselves at loss to know "where we are at." There was a classification system devised by my son, a few years ago, and I think a paper was read before this Association several years ago by him, and was specially adapted to the conditions of this Coast where we had a series of tariffs, one, two, three, four, five, adjusted to every condition of physical hazard and otherwise for several towns. We therefore had going in that office three different sets of classification; the result was, we did not know what to do half of the time.

President Ives—The next paper on the list, gentlemen, is Observations, by Calvert Meade. As Mr. Meade is not here he sends his paper in with the request that I will ask some one to read it. Will you read it, Mr. De Veuve?

Mr. De Veuve reads.

I trust you gentlemen will bear with me in reading this paper. I am a better talker than reader, I think.

#### OBSERVATIONS.

Between two lofty ranges—the Sierra Nevada Mountains on the east, with an average altitude of 8,500 feet, and the Coast Range on the west, which rises from 4,000 to 6,000 feet above sea level, lie the great valleys

of the Sacramento and San Joaquin. Their general elevation above sea level is about 556 feet at Redding on the north, to 30 feet at Sacramento in the centre, and 282 feet at Bakersfield on the south. This great interior basin aggregates a length of 450 miles, varying in width from 40 to 70 miles, embracing both tropical heat and almost arctic cold, ranging from 120 degrees above zero in the valleys, while on the rim of the Sierras, forming this immense basin, the mercury falls to 40 degrees below. The extremes of heat are nearly as great in these valleys as on the barren wastes of the Mojave and Colorado deserts.

While high temperatures are experienced during the summer days, the air is usually quiescent, but at sundown a breeze springs up which revivifies the parched atmosphere engendered by the intense heat of the sun, and this breeze, combined with the rapid terrestrial radiation, reduces the temperature so that the nights are comfortable.

#### CAUSE OF THE WINDS.

In passing it may be said that the presence of this great valley and its climatic conditions, is the cause of the strong winds felt along the coast line of upper California. In the summer the great heat of the mornings rarifies the air in the valley, and it following the law of Nature, rises. The nearest supply of cold air is at the ocean, and as Nature abhors a vacuum this cold air rushes in at great speed towards the valley, and passing over the coast towns and cities on its way gives us the strong winds of summer which we experience at San Francisco. The general trend of this wind is northwest, though it changes to due west at San Francisco owing to local configuration of the coast line. San Diego, Los Angeles and southern coast towns escape this wind, since there is no valley of the kind behind them. Were it not for these winds, however, which come in to cool the great valley, living there would be almost unbearable in summer. In winter when the valley is colder and it does not get heated by the sun, the winds on the coast stop blowing.

#### FIRES IN THE VALLEYS.

The tendency of fires in these valleys is to occur at night or in the early morning. Many commercial brick and frame buildings are constructed with large square and rectangular wells reaching from grade floor to roof, and most if not all buildings have as many openings as possible. This mode of construction, while it tends towards comfort in the heated term by forming strong currents of air, is most disastrous when fire occurs. During the heat of the day shades are drawn and blinds closed, but as evening approaches, all protections are avoided to create as much draught as possible, and so remain, as far as consistent, until morning. Many inventions are used to do away with wood and coal because stoves, grates, etc., heat the apartments unduly. For this reason, gas, gasoline and kerosene oil stoves and every known combustible device is used for cooking, and kerosene, gas and electricity for lighting. Gas is often left burning to be affected by the night



draughts, and glass lamps with choked and foul air ducts, to explode, thus adding to the danger from fires. Ignition is rapid under such circumstances, and fire, when started, travels fast where wood and fabrics are like tinder.

In adjustment of losses throughout this section, it is found that in nearly every instance where fires are extinguished the premises were deluged with water, thereby entailing more loss by this method, to stocks especially, than by fire.

#### INCENDIARY TRAMPS.

As near as can be estimated, there is not to exceed an average of 15 per cent. moisture in the atmosphere during the summer months, and during the heat of the day the percentage of moisture is much lower. Another element has to be contended with in these great valleys, and that is incendiarism. Through this tract runs the highway of railroads. It is the paradise of the traveling tramps. Investigation has developed the existence of regular societies, the object of which is arson and theft. One notable gang, calling themselves "H. O. H. A.," meaning "Hit one, hit all," was composed of boys ranging from eight to sixteen years of age, and they destroyed much property before being caught and placed where they could do no further harm for years to come. All these conditions entail expense to the underwriters, as may be readily understood.

#### THE VALLEY AND OXYGEN.

With the exception that in crowded cities, where there is a little more carbonic acid gas than in the country, the ratio of oxygen to nitrogen in the composition of the air, does not vary. The density of the air, however, does vary, or in other words, a given volume of air will weigh more at sea-level than the same volume at a higher elevation.

This valley is practically at sea-level, where the barometric pressure is about 30 inches. Registration at one mile would be about 25 and at two miles about 20. I quote altitudes in which Pacific Coast agencies write. Therefore we have in this valley, as explained in the foregoing, an atmosphere containing the maximum amount of oxygen, the presence of the fire bug, the greatest extremes of heat, an inadequacy of rates, and in comparison, the history of insurance shows a loss, as every underwriter can testify. I suggest these factors for consideration.

#### WATER DOES NOT FEED FLAMES.

It is often stated that in conflagrations water feeds the fire to an appreciable extent. Scientifically, I don't believe water augments the fire, for the following reasons: The latent heat of steam is very great, that is, water to be converted into steam absorbs an immense amount of heat, and during the process, as used by fire engines, absolutely tends towards cooling and putting out the fire. This is true of any volume of water however used in extinguishing fire. Again, after water is converted into

steam it requires a further amount of intense heat in order to be decomposed into its component parts, viz., oxygen and hydrogen—and this heat is exactly equivalent to the amount of heat liberated when the elements combine again to form water. In other words, even if hydrogen gas was formed, which at times may be true, the amount of heat liberated by the burning of the gas is neutralized by the equivalent amount of heat absorbed in the first instance in forming the hydrogen gas.

Let me again reiterate this last statement, and the same will act as a clincher, for I state that water, being already a product of combustion, is incapable of further oxidation or combustion, for in general terms combustion is nothing but a rapid oxidation. However, I believe that water should be used as sparingly as possible in extinguishing fires, for reasons before stated, and a more general use made of chemical engines. It is my opinion that when the cities and towns of this great valley are properly equipped and efficiently manned with these appliances, and used as an auxiliary to a good fire department and water supply, the payment of all losses made upon sixty days time, as provided in the printed conditions of the policy, and a further protection afforded by the loss or value or co-insurance clause, then, and then only, will the investments of insurance companies return a proper percentage of profit.

#### WOODS USED ON THE COAST.

In all frame buildings on this Coast the principal woods used in construction are Oregon fir, spruce or pine, California redwood and mountain pine (Sierra.) All these trees are formed of rings of a ligneous and fibrous nature. There has never been, to the writer's knowledge, a chemical analysis made of these woods, and researches through all statistics issued by the forestry bureau of the United States, as well as correspondence with many chemists throughout the world, fail of giving the desired information. The only chemical analysis I can quote is that relating to the pitch pine of the South, which is analogous to our pine on this Coast, in part, and will show somewhat of its volatile nature.

From one cord of pitch pine, distilled by chemical analysis, the following substances and quantities were obtained:

Charcoal . . . . .	50 bushels
Illuminating gas, about . . . . .	1,000 cubic feet
Illuminating oil and tar . . . . .	50 gallons
Pyroligneous acid . . . . .	100 gallons
Spirit of turpentine . . . . .	20 gallons
Wood spirit . . . . .	5 gallons
Pitch and resin . . . . .	1½ barrels
Tar . . . . .	1 barrel

#### OREGON FIR.

We all know resin is a strong component part of Oregon fir and mountain pine. In all fires coming under my observation, as soon as water strikes, the ligneous rings contract and from the fibrous part exudes resin

and other combustible compounds, which readily attract flame, and while the same relative action takes place in redwood, yet no resin is exuded; in fact, it has been stated that a substance having the nature of tannin and which is antagonistic to further combustion, is formed, thereby temporarily protecting the wood. How this acts is not known, but I will offer as a possible explanation the following: In the first place the substance itself may have a high ignition point, requiring a high temperature to take fire and burn, or what seems more plausible, holds non-volatile, inorganic salts; that is, mineral salts in solution, which, coating the burning substance, excludes the air and prevents further combustion. The foregoing facts are greatly in favor of redwood as a building material, but it must be borne in mind that both woods will burn.

In the main, in frame buildings (except in the Sierra mountain regions), Oregon fir is mostly used in construction for joists, studs, rafters, roof sheathing and floors, for Oregon fir has almost the same wearing qualities and strain as oak. Redwood is used for mud-sills and underpinning, siding inside and out, ceiling, shingles and window and door casings. Sashes are of mountain pine, and doors of mountain pine and redwood. Nearly all rough inch stuff is redwood. In the Sierra mountain region, mountain pine is mostly used throughout. This latter wood is more closely allied to Southern pine than is Oregon fir.

A very excellent recipe I give which is cheap and now used in many places, and could it be used on and in sawmills, mining plants, manufacturing establishments, warehouses, barns and out-buildings, it would have a material effect in reducing the fire waste. The recipe is as follows:

#### ASBESTOS COATING.

Soak the asbestos for 24 hours in a little salt water, then mix  $\frac{1}{4}$  lime to  $\frac{3}{4}$  asbestos with silicate of soda to the consistency proper to lay on with a brush. Silicate of soda can be obtained cheaply by the barrel, or glue can be substituted for the silicate of soda, or molasses is a satisfactory substitute. The asbestos coating should be mixed about the same as whitewash and applied in the same way. Two coats should be applied to the surface desired to be covered.

I don't know as it is within the province of this association to prescribe remedies, but I believe specials carry with them recipes for snake bites, cold feet, and other contagious complaints, and this would be a fitting adjunct.

I am indebted to Mr. Chas. G. Yale for facts on the trend of the wind, and to Dr. Harry East Miller for chemical data.

CALVERT MEADE.

President Ives—Our programme is ended. We have still twenty or twenty-five minutes, and I think in the meantime the Association might hear from the committee appointed yesterday to

consider the President's address. Mr. Lowden was chairman of that committee. Is he ready to report?

Mr. Lowden reads report.

#### REPORT OF COMMITTEE APPOINTED TO CONSIDER THE PRESIDENT'S ADDRESS.

Your committee appointed to consider the suggestions made in the President's address, and to recommend some plan for carrying them out, find that in the limited time at their disposal they can only touch very briefly on the various subjects.

The unsatisfactory condition of the by-laws referred to by the President can, and no doubt will, be remedied at this meeting.

The careless and too liberal manner in which partial losses are adjusted and paid, is deserving of severe criticism, but your committee cannot suggest a remedy. This is not a subject which can be handled by agreement or compact between companies or managers. Each manager must be individually impressed with the necessity of a reform in this department of our business, and must decide for himself that so far as his company is concerned, the practice will be stopped. The too liberal settlement of a single claim in a community injures the business to much greater extent than the loss of the money. It induces the feeling that losses are not criticized or carefully handled by insurance companies, and that because one claimant is overpaid, every other should be treated in like manner.

The subject of a co-insurance clause is one of too great a magnitude to be discussed in this report. Your committee are unable to agree on a plan or recommend any definite action by this Association beyond expressing the conviction that some agreement should be made with the policyholder which would compensate the companies for the extra loss caused by insufficient insurance.

Your committee would recommend that the Three-fourths Value Clause be universally adopted (except on wholesale stocks).

We believe that its use would be of great benefit to the business—restraining the incendiary and protecting the honest property owner.

Many of the forms of mortgage clauses now in use on the Coast are objectionable from our standpoint, and a remedy is badly needed.

The objectionable features are simply the result of the efforts of the various loan associations to obtain that to which they are entitled (at the proper price), viz: absolute indemnity.

Any consideration of the present evil must recognize the right of these associations to buy what they want, and to buy it on the best terms and under the most favorable conditions.

We are selling indemnity (as collateral), and they need it. Our duty to our companies and to these our customers, is to frame the contract in such a manner that both interests will be fully protected.



The standard form of mortgage clause does not meet the wants of the loan companies, and so long as this is the case, just so long may we expect trouble and dissatisfaction.

2. Any attempt to force upon the mortgagees a clause that will not protect them to the fullest extent will meet with defeat, for the simple reason that insurance companies will always be found who will waive some of the conditions, and these companies will get the business. We are in this way making the attaching of a mortgage clause to a policy the subject of competition, and thus the infraction of a rule is made profitable.

It follows therefore that the adoption of the present standard form by the Pacific Insurance Union, and the attempts of that organization to compel its use in all contracts with the loan companies, must result in failure.

It is clearly the duty of the companies to draw up a form of agreement which will give to the mortgagee the security he desires, and for which he is willing to pay. By doing this we remove the temptations to waive conditions which must exist if the present form is insisted upon.

That this can be done we do not see any reason to doubt. As we understand the matter, the loan companies demand certain privileges not accorded them in the standard form, viz :

First—That loss shall be payable to ——— the mortgagee or his assigns.

Second—That loss shall be payable to the owner or mortgagee as their interests may appear.

Third—That the contribution clause shall be eliminated from the contract.

Our principal objection to the first clause is that cancellation is rendered difficult because of the possibility that the policy may be held by some assignee of the original mortgagee whose address may not be known to the company.

Could not this be avoided by inserting a clause that the usual ten days notice served on the original mortgagee named in the contract would be sufficient to effect cancellation.

It will be found on examination that this clause is required by mortgage companies who loan specific sums of money for their clients, and when the note and mortgage are executed, assign the securities to these clients, and subsequently act as agents for the collection of the interest. If this is so, it can be no great hardship to the loan company to impose upon it the duty of notifying its client of a cancellation, as it is presumably in communication with him.

The objections of the insurance companies to the second clause, (viz: that loss shall be payable to owner and mortgagee as their respective interests may appear,) seem to be that the courts have construed this clause to cover the passing of title from the original owner to the mortgagee, and that during foreclosure proceedings and sheriff's sale, the policy is continued in force in violation of the printed conditions.

The insurance companies' construction of this clause has always been that the loss shall be payable to the parties named, in proportion as their several interests in the property bear to the total value of same, but it was never intended by us, nor perhaps by the loan companies (originally) to mean that a change in title was covered, or that the policy conditions regarding foreclosure proceedings should be waived.

To meet this ruling of the courts, is it not possible to insert a clause to the effect that, change of title to the property is not intended to be covered, and that the conditions regarding alienation of title and foreclosure proceedings are in force, notwithstanding our agreement to recognize the claims of the different parties in the payment of a loss.

The elimination of the contribution clause is not as objectionable as it would appear at first sight, and we think that all objections can be removed by the insertion of a clause in the contract, providing for subrogation when there is other insurance on the property not payable to the mortgagee.

The mortgagee has rights which we must respect or go without the business, and it is his right to ask for a policy to protect his interest. He is not protected when the contribution clause is inserted, unless all the policies on the property are payable to him—in fact the greater the amount of insurance not payable to him, the less will be the protection afforded by the policies in which he is named as payee.

It would seem wise, therefore, to insert in the standard form, in lieu of the contribution clause as we have it, one providing that in the event of the existence of other policies on the property, the loss under which is not payable to the mortgagee, this company shall be subrogated to the rights of the mortgagees to the extent of the amount paid by this company, in excess of its pro rata proportion of the loss.

These changes would, in the opinion of your committee, harmonize the different interests without injury to either, and remove the temptation which now exists to secure business by granting concessions without proper recompense.

We would respectfully suggest that a committee be appointed to consider this important matter and to recommend a form for adoption by the companies.

W. H. LOWDEN,

B. D. SMALLEY,

WM. SEXTON,

Committee.

President Ives—The suggestions, I think, are valuable, and I hope the members will adopt some plan by which they may be made effective.

Mr. Sexton—There is a month or two months work on that report, particularly on Mortgage Clause, and I move that a committee be appointed of say, five.

Mr. Watt—There are two recommendations, Mr. Sexton.

Mr. Sexton—What was the other?

Mr. Watt—The Three-quarter Clause.

Mr. Sexton—The Mortgage Clause is the thing to work on—the Three-fourths Clause is very simple, merely needs the endorsement of a proper committee.

President Ives—Was there a motion put?

Mr. Swett—I was going to make a motion to substitute the recommendations in reference to the three-fourths clause being submitted by the secretary to the executive committee of the Pacific Insurance Union and the committee preparing that report be continued until they prepare a proper mortgage clause. I move that they be continued.

Col. Kinne—Second the motion. My idea is this: the committee is a good one. Mr. Lowden has at last crystalized his ideas and put them in good shape and I think he will do the work whether Mr. Smalley is here or not. Brother Sexton can assist him.

Mr. Lowden—I don't wish to shirk any work. I think the committee ought to be added to; we need help in the matter. It is a very important matter, something that requires a great deal of time, and if Mr. Watt will change his motion and include it to read five members, it would be better.

Mr. Watt—I accept the amendment.

President Ives—The motion then before you—Mr. Watt, will you kindly put it in shape?

Mr. Watt—First that the recommendation in reference to the Three-quarter Value Clause be referred to the Pacific Insurance Union, and second, that a sub-committee be raised to report on these other matters. That the committee be added to by the Chair.

President Ives—You hear the motion; those in favor say aye. The motion was carried. The Chair will add to that committee Mr. Osborn and Mr. Faymonville.

Mr. Sexton—There was a small matter referred to a special committee. A committee was appointed of five members; I was the chairman. Mr. Chalmers, Wetzlar, Wilson and Mr. Kinne. Mr. Kinne has the report as usual; I escaped doing the work and will make the report.

President Ives—Will you read the statement?

Mr. Kinne—Mr. President and gentlemen, this committee was appointed a month ago to report at this meeting, and we have brought in the following report. Mr. Chalmers is not in town and did not sign it.

Reads.

#### APPORTIONMENT OF LOSSES IN OREGON.

*Mr. Stephen D. Ives, President Fire Underwriters' Association:*

DEAR SIR:—

At the meeting of the Association, held yesterday, a resolution was adopted requesting you to appoint a special committee of five to consider the apportionment of losses under certain conditions in Oregon.

The hypothetical case presented is as follows: Company A insures a building for \$1,000 *prior* to the adoption of the Oregon Valued Policy Law. Company B insures the same building for \$1,000 *prior* to the adoption of the Oregon Valued Policy Law. Company C insures the same building for \$1,000 *subsequent* to the adoption of the Oregon Valued Policy Law. A loss occurs. Company A sends its own adjuster, Company B sends its own adjuster, and Company C places its interest in the hands of the adjuster of Company B, who therefore represents B and C.

In adjusting the loss the adjusters ignore the Oregon Valued Policy Law and the assured does not invoke it. The amount of the loss is submitted to appraisal and the award is \$2,700; the amount of insurance is \$3,000. How shall the loss of \$2,700 be apportioned among the companies at interest?

The foregoing, while a hypothetical case, is identical in every detail with a bona fide case, with the exception that the amounts covered are not the same.

Yours very truly,

ROLLA V. WATT, Manager.

AN ACT,

Regulating the amount to be paid on a policy of insurance.

Be it enacted by the Legislative Assembly of the State of Oregon:

SECTION 1. That the amount of insurance written in a policy of insurance on all buildings insured after the passage of this act shall be taken and



deemed the true value of the property at the time of the loss, and the amount of the loss sustained, and shall be the measure of damage, unless the insurance was procured by the fraud of the insured, or the loss was caused by the criminal act of the assured. It shall be lawful for any insurance company, liable to pay losses occasioned by fire, to rebuild any structure or building wholly or partially destroyed of the same style and materials and of equal value with the one so wholly or partially destroyed, but they shall make their election so to do within thirty days after notice of loss. In case there is a partial destruction of the property insured no greater amount shall be collected than the damage sustained.

#### PROPOSITION.

"Company A insures a building for \$1,000 *prior* to the adoption of the Oregon Valued Policy Law. Company B insures the same building for \$1,000 prior to the adoption of the Oregon Valued Policy Law. Company C insures the same building for \$1,000 subsequent to the adoption of the Oregon Valued Policy Law. A loss occurs. Company A sends its own adjuster, Company B sends its own adjuster, and Company C places its interest in the hands of the adjuster of Company B, who therefore represents B and C.

"In adjusting the loss the adjusters ignore the Oregon Valued Policy Law and the insured does not invoke it. The amount of the loss is submitted to appraisal and the award is \$2,700; the amount of insurance is \$3,000. How shall the loss of \$2,700 be apportioned among the companies at interest?"

#### SOLUTION.

Under the above example, your committee's solution is as follows:

It being understood that the building was totally destroyed by fire, and that all the policies contain the conditions of the standard form, viz: "This company shall not be liable under this policy for a greater proportion of any loss on the described property than the amount hereby insured shall bear to the whole insurance."

In the case named the insured did not invoke the Oregon Valued Policy Law, and therefore in accordance with the conditions of their several policies each pays \$900, making the total sum of \$2,700, which is the amount of the loss actually sustained.

In case the insured had rested upon the Oregon Valued Policy Law, Companies A and B would pay in accordance with the conditions of their several policies, as above stated, in proportion to the whole amount of insurance, and each would pay \$900, being their proportion of the amount of the loss as ascertained by appraisement. Company C would pay \$1,000, in accordance with the same policy condition, but basing the amount of the loss on the Oregon Valued Policy Law, which states: "The amount of insurance written in a policy of insurance on all buildings insured after the passage of this act shall be taken and deemed the true value of the property at the

time of the loss and the amount of the loss sustained, shall be the measure of damage."

This, of course, gives the owner \$100 more than his actual loss, which is the feature of the Valued Policy Law. In case all the policies had been written after the enactment of that law, the owner would have received \$3,000, each company paying \$100 more than it properly should pay to actually indemnify the insured. In case the companies mutually agreed to replace, of course they would pro rate in the expense of replacing, whether it would be \$2,000 or \$2,700 or \$3,000.

WM. SEXTON,  
A. WETZLAR,  
C. MASON KINNE,  
D. B. WILSON,

Committee.

Mr. Watt—Mr. Chairman, I wish to express my gratitude to this committee for deciding this question in a proper manner. I had a long controversy and correspondence in regard to it. The amount involved is less than \$60, hence we could argue the matter on its merits without reference to the money consideration.

But how great minds may differ in matters of this kind is fully exemplified in this case. This is a loss in which I was interested—with two other companies. The adjusters in apportioning the loss charged my company with its entire policy, dividing the remainder between the other two—the loss being less than total. This I seriously objected to, and we finally agreed to submit the question to arbitration, and selected three leading underwriters to whom the matter was referred. They considered it very carefully and finally arrived at a conclusion. Whether I can state that exactly as it is without having it in writing before me I am not certain, but I think it was as follows:

There was in this case \$100 salvage which the assured might have demanded but did not. My company being responsible for \$1,000 and the other two companies being responsible for \$900 each, the committee awarded this \$100 salvage, which the assured did not claim, to the companies in interest in proportion to the amount for which they were liable, viz: \$900, \$900, \$1,000. Their reason for that was that my policy having been issued after the valued policy law was enacted, was in the nature of specific or non-concurrent in-

surance, and must therefore contribute as such. I accepted the report as a basis of settlement in the case in hand, but objected to the principle and theory on many grounds, which I will not now mention. Believing the controversy would be of interest, I presented the case at the last meeting of the Association, and it was referred to this committee, which, as I said in the beginning, I think it has decided correctly.

Mr. Carpenter—I happened to be one of the arbitrators in the case. Mr. Watt has correctly stated the results of our consideration; this \$100 we regarded as salvage which the assured had a right to claim. They decided that the salvage should be divided the same as you would divide discount of payment before the loss was due or anything of that kind. It was at a time when all of us were very busy in connection with Pacific Union matters. I am quite willing to admit we may have been wrong, at the same time I think there was a good deal of reason for deciding as we did.

Mr. Lowden—As one of that committee I will not go as far as Mr. Carpenter and admit we were wrong; I think we were right. I think we had to look upon it as salvage.

Mr. Kinne—Not at all.

Mr. Lowden—The assured had a right to claim \$2,800 on a \$2,700 loss. I still think it is proper that it should be divided between the three companies, according to their individual amount balance of the claim, and I won't take back any of it yet.

Mr. Gunnison—I will differ from Mr. Lowden in regard to that. I do not think it could be considered salvage for the reason that the first two companies are not interested in that \$100 at all. If they paid according to contract, they would pay \$900 each, and the other would pay \$1,000. Now, if the assured saw fit to waive that, the \$100 should go to that company and the others have nothing to do with it whatever. It was actually a present from the assured to the company.

Mr. Dornin—Two features seem to suggest themselves in the case: Was the assured aware of his legal rights under the last policy

issued? If not, and the facts being withheld from him, and he induced to enter into a stipulation and accept the settlement made, had he not a right to afterwards upset the settlement, and bring suit to reopen the adjustment and thereby secure the whole of the \$1,000 which he was entitled to? The alleged salvage of \$100 perhaps should have been retained by the company in order to defend the suit which he might have made against them. Another is that the company having received 10 per cent. additional premium to cover an excessive hazard had no right to complain. They were not in a position to kick, as they received extra compensation for it.

Mr. H. M. Grant—It does not seem to me that companies A and B had any right whatever to the \$100 salvage; that was entirely independent of them. Companies A and B could not be expected to pay any more than \$900, and would certainly be entitled to nothing by reason of salvage which company C made.

Mr. Dornin—There were a number of companies interested in a loss at Helena, Montana, several weeks ago. The policies were almost all non-concurrent policies in A, B, C, D and E warehouses. One was burned. Some of the policies had the Distribution Clause and some did not. It happened unfortunately that the Hartford had to change their policy, and in some way they were elected for the whole, having been placed specific in the burned warehouse. They were represented by a most excellent man who apparently controlled the final adjustment. The proof, as prepared for the National, stated that the policies were concurrent throughout. The papers were brought in and a convention of the companies was held to attempt to re-open the whole matter. The Hartford naturally kicked. I will leave Mr. Belden to tell the rest.

Mr. Belden—I will say we are not accustomed to kicking; I think I can say that safely. We stood upon our contract. We had no contract with the other companies, which they tried to make us believe we had. Our loss was adjusted upon contract as determined with the assured. The amount involved was a matter of a few



dollars, but these companies thought they saw an opportunity of jumping on the Hartford pretty hard, but they missed their jump and came short. The facts were, the policies were transferred with the intention of their being concurrent, covering in a group of buildings. They originally were covered with the Average Clause. It was the intention of the assured to have them cover concurrently in the occupied buildings. The amount covered in the buildings burned was only about one-fifth of the amount in the adjoining warehouse, which would show that it was not intentional to cover in that house. It should have been sufficient evidence to the other companies that it was a clerical error, and the assured, although it was a loss to himself, stated the truth that it was his intention to be made concurrent. Therefore, in the settlement of the loss, he was the loser some \$300, notwithstanding he made the statement that it was his intention to be made concurrent. The adjusters were on the ground, and it was so understood, and the adjustment made on that basis. Several companies—two I believe—the Liverpool & London & Globe and the German-American—paid their loss. The other companies protested on the proofs being received here, and took the ground that the adjustment was made on a contract with the assured. We had no contract with the other companies, and they thought that they could prove collusion whereby it could be shown that we had an understanding with the assured.

Mr. Dornin—The matter was seriously complicated. The numerous adjusters had allowed proofs to be made out, and it was very difficult to remodel them, but happily it was finally arranged.

Mr. Gunnison—I would like to inquire if you have to bring in a separate proxy for each member, or can two or three members sign the same proxy?

President Ives—I think it requires a separate one for each member.

Recess taken until 2 P. M.

## AFTERNOON SESSION.

SAN FRANCISCO, Feb. 21, 1894.

The afternoon session was called to order, President Ives in the chair.

The Chair—Next in order we have a paper from Mr. Driffield on "The Press as an Adjuster." Some of us have had an experience with it.

Reads.

## THE PRESS AS AN ADJUSTER.

During the year which has elapsed since our last annual gathering, few matters of greater moment to the insurance fraternity have occurred than the adoption by loss claimants of an innovation in their manner of pressing claims against the companies—by the employment of the medium of the daily press.

In the past, whenever the fact of a dispute between the assured and the companies became public—generally by means of a lawsuit—we have been subjected to occasional harsh criticism and unjust reflection at the hands of the newspapers, but have been accustomed to regard the same as the expression of a public sentiment—invariably in favor of individuals as against corporate interests. To such criticism we have grown callous, regarding it as an unjust, but somewhat natural, concomitant of our business, and one which we invariably weighed and discounted when considering the advisability of resisting claim under a policy. The influence created in the minds of the public by such means was and is, however, undoubtedly hurtful, but to so limited an extent as to be lightly treated by the companies.

## A NEW DEPARTURE.

The employment of the leverage of the press for the purpose of bolstering up and endeavoring to enforce the settlement of fraudulent and exorbitant claims, and with the view of influencing the minds of court and juries, when such claims are the subject of judicial inquiry, is, however, a new departure on the part of the loss claimant, and if such procedure is to receive any recognition and is permitted to remain unchecked, we may as well reconcile ourselves to the inevitable—dispense with the services of our qualified adjusters and permit the daily press to usurp their functions, gratefully acknowledging its leniency in the case of a partial loss, and solacing ourselves upon the absence of a bill for adjustment expenses.

When such a time arrives, however, a general valued policy law will have no terrors for our fraternity.

The venality of the local press is a matter of open and undisguised comment, and appears to be accepted by the public as a condition of affairs for which no remedy can be applied. For a stipulated amount of lucre the columns of the papers appear to be at the disposal of any purchaser, no matter how unclean, and for purposes regardless of their baseness.

#### AN OUTRAGE.

It is doubtful whether any community has hitherto witnessed so flagrant an outrage upon the ethics of journalism and so gross a prostitution of the implied prerogatives of the Fourth Estate as those which have characterized the commentary of the daily press upon the action of the companies in their conduct of two recent loss matters.

In one case the assured, instead of invoking the authority of the law to decide the questions in issue, sought to obtain their objects by retaining the newspapers as special counsel in their behalf, and if false statements, vilification and denunciation could have achieved their desired ends, the press would have triumphed in the contest and have been conceded a commanding place in the roll of successful attorneys. Fortunately, however, the seriousness of the situation was realized by the companies, and, in face of public clamor, aroused almost to white heat by the slanderous edicts of the press, it has been determined that the time has not yet arrived when we shall bow to the dictation and accept the jurisdiction of a time-serving, corrupt and hired manipulator of so-called "public opinion."

In the other case, a still more flagrant abuse of the *liberty* of the press was demonstrated in its comments upon matters which were already partly submitted to a court and jury, and in its attempt to influence the minds of the tribunal by the publication of questionable facts, which had been ruled out of evidence by the court as being incompetent and irrelevant. By such publication, evidence, clearly nugatory, was *practically* introduced before the court, the minds of the jury were affected thereby, and the object of the articles consequently attained. To such lengths was the apostacy of the press invoked in this latter case, that an absolutely groundless and most malicious charge of subornation of perjury was openly made against the defendant company in the columns of the dailies, and the sole result of the emphatic protest of the attorney for the defendant, was the expression of the court of its disbelief in the truth of the assertions made, and an injunction to the jury to entirely disregard any evidence outside of the record. By this time, however, the mischief intended had been accomplished.

#### THE ARROGANT AND INSOLENT PRESS.

The contract of insurance is no more a matter of public concern than any other contract entered into between individuals, and the respective parties thereto are amply provided, under the conditions thereof, with the means of enforcing their rights thereunder.

The interference of the press, or of the public, in matters which should concern no one except the parties to the contract, is, therefore, unwarrant-

able and ill-advised, and the censorship which is sought to be established over action taken under the expressed terms of such contract, is arrogant and insolent. If, however, such commentary were undertaken with the bona fide intention of doing fair and impartial justice between the parties, little or no objection would be raised by the companies at the honestly-conceived, though still unwarrantable, assumption by the press of its right of criticism, for no one of us, save those who had laid themselves open to just and warranted censure, would then have aught to fear.

But it is idle for us to indulge in any such Utopian expectations. As an adjuster the press is a "*bulldozer*," pure and simple; open to hire by either party, and prepared to create "public sentiment" upon a sub-stratum of falsity, vituperation and injustice, as opposed to legality, reason and equity.

It is unfortunate that a considerable portion of our populace prefer rather to purchase their ideas ready-made than to run any risk, in the matter of wear and tear on what the Almighty bestowed upon them in the shape of minds, in arriving at their own conclusions, and to this fact is due a large proportion of what is termed public sentiment, which is frequently but an *apparent* unanimity in the expression of ideas, voiced by the press and probably conceived solely in the mind of an imaginative or carefully instructed news-writer.

#### RETALIATION.

To the want of confidence in ourselves and in our position in the community is due the feeling of solicitude and apprehension aroused in our circles by the adverse criticism of the press, and, in order to secure an immunity from such, it is necessary that we should show a united front in opposition to the methods adopted by this newly-conceived "adjuster" for the claimant, and that we should not only decline to allow ourselves to be influenced in any manner by its rantings, but should demonstrate by our actions that the same resulted unfavorably to the claimant employing such means. The public would not be dilatory in recognizing the fact that the employment of the press as its adjuster was not conducive to its best interests. We might hope for some reforms if we unanimously adopted retaliatory measures by the withdrawal of our patronage, which represents a considerable revenue, derived from our advertisements and subscriptions, both official and private, and a course of such discipline might result in changing a present inquisitor into something resembling an adjuster.

As at present constituted, however, the conclusion can scarcely be avoided that as a newsgatherer the press is unreliable; as an educator, is sensational, not to say immoral; as an advocate, mercenary and insincere; and as an adjuster, not to be seriously considered.

V. C. DRIFFIELD.

Applause.

Mr. Lowden—I would like to introduce Mr. F. A. Thompson, of



Denver, a member of the firm of Cobb, Wilson & Co. of that city.

The Chair—I think we will all take pleasure in welcoming Mr. Thompson. Many of us know of him.

The members of the Association rose and welcomed Mr. Thompson.

The Chair—I don't know as there is any member who may feel like making any remarks. It is, as Mr. Driffield says, a recent innovation. I have thought that the press might justly be used by the insurance managers to educate the public to our mutual advantage—direct advantage, probably, to the newspapers, and indirect to the public and the companies.

If this paper does not lead to any discussion, the next business will be the “Adjustment of Partial Losses,” to be read by our Secretary, Mr. Osborn.

Reads.

#### ADJUSTMENT OF PARTIAL LOSSES.

The history of underwriting is replete with vain effort. It demonstrates how thoroughly impotent are those arguments that tend to correct the errors of practice. We convene annually to hear excellent papers read, their merits and demerits discussed. As often, we depart from these rooms wiser, but no better in practice. This paper will have served its purpose, if it but suggest to one or two thoughtful minds, the considerations that have for some time been thoughts of personal study with me.

The adjustment of loss is essentially as important as the assumption of the risk. It involves the dispensation of company funds; but there is really no function of management so indifferently considered. Much attention is paid to the expense account, and rightfully too, but this appears to be the only item that companies and managers strive to reduce. It is the frenzy of extravagance, in the adjustment of partial losses, that is a severe drain upon the resources of underwriting capital to-day. Our present condition is indeed one of doubt and concern, and it must be obvious to every manager that remedial effort should be put forth.

The methods in vogue are a travesty of the real meaning of adjustment. Inexperienced men are sent to “adjust” a loss, and they have only a slight conception of the contract they are called upon to interpret. The character of the property damaged or destroyed is unknown to them, and the first act is apt to be a waiver or a settlement “for the companies’ interest.” If they be not wholly unacquainted with the necessary steps to take, the adjustment is attended by a secluded ignorance, which may be a tribute to the value of a generous impulse.

Our contract means "indemnity," yet how few adjusters, and especially those belonging to the company, carry the question to a literal fulfillment of its meaning? If the loss actually reach \$500, the assured will manage to squeeze another \$50 or \$100 out of the company and it is allowed. This is prodigality or possibly charity, but not indemnity. What distinguishes the modern adjustment from charity is, that the recipient has paid a pittance for the gift. Now we appear to be constantly attuning ourselves to this condition, and extenuate for it on the plea of expediency. Yet necessity is manifesting itself as a greater law. Arguments against this plea of necessity avail nothing by invoking expediency, for the expedient is but little removed from an abuse subsidized by a habit of slow but steady growth. In fact this is an age of translation; free to be sure, but we translate 2 into 4 with equal facility of the trickster who puts an egg into the hat and produces a bird.

#### LOCAL AGENTS AS ADJUSTERS.

The practice of submitting the adjustment of losses to local agents is another mistake, and is wanting in every element of consistency or reason. Adjustment is in itself an art, a system of adjudicating differences between the contractors, and should not be hindered or embarrassed by the environments of local interests, strife or influence. The man who has solicited the assured and possibly exhausted every argument to win his client, is not the man to sit in judgment at a time when the contingency insured against has happened. It is surely an indelicate position for the agent to be at issue with the assured, and especially so if the differences are attributable to mutual misunderstanding. It is sure that the said agent must fail to properly "adjust," whereby the company is not injured and the assured not wronged. But is it not true that every time the agent settles a claim, the assured is the gainer? With few exceptions, and some which are notable, such settlements cost the company from 10 per cent. to 50 per cent. more.

While in a town of the southern part of the state recently, my attention was called by an agent to a loss that he had adjusted, and for which, he states, his company paid \$106.40. The claim in question arose in a store where some fancy worsted shawls were hung over or near a lamp. While the clerk was at dinner the lamp smoked and the soot damaged a number of articles within range. When questioned as to his answer for cause of loss as stated in the proof, he replied "smoke damage." He says the proof was passed without inquiry, and did not know until that moment but what the policy covered just such a case.

#### WHAT "GENERAL MERCHANDISE" COVERED.

In another instance the agent advised his company that the general merchandise store in his town had had a small damage; that he did not think it would exceed \$200, and wished instructions. The manager considered it unnecessary to send an adjuster, as it would take a day to adjust the loss, besides the expenses, and instructed the local to take proofs and

to draw on him for the amount. This was done, the loss claim being for \$225. The policy covered "on his stock of general merchandise." Further developments revealed the fact that the actual loss to the stock was \$95, the remainder being for "fixtures," not insured; also the assured's overcoat, and a coat belonging to his clerk. Had this trip been made by an experienced adjuster, the actual loss would have been \$95. Plus the per diem and expenses, \$31.50 additional, or a total of \$126.50. Here would have been a saving to the company of \$98.50, in addition to which would have been the education of the agent, which was worth infinitely more.

A local agent in a large town recently reported to us a loss on contents of a dwelling. The loss was from exposure fire, and the "estimated damage" \$175. I happened to be in town that day and went out to look after it. The local accompanied me, and together we went through the damage. He did not consider *his* estimate excessive, although it might be liberal. We settled, to the assured's entire satisfaction, for \$67.50.

A prominent adjuster tells me of a case that he closed for \$400, where the local agent had taken proofs for \$1,050. The loss net was \$300, but the assured threatened suit, and the adjuster compromised for \$400.

#### TOO LIBERAL WITH THE COMPANY'S MONEY.

The following interesting case will show how much more liberal a local agent will be with the company's money than his own. A western manager tells the story that a few years ago, his company had a small loss in a Missouri town. The state agent was notified by the local of the damage. The policy covered on the dwelling of a banker of that town, and who was one of the agent's best customers. He requested the state agent to come at once and adjust the loss for him. The adjuster arrived, was met at the train by the local, and driven to the fire. He cast his eye over the damage and made notation of what he considered to be a fair figure, and submitted it to the local, who insisted that it was entirely too low, and that the banker would not accept such figure under any circumstances. He finally got the adjuster to raise the claim to what he believed to be fair and equitable, and they agreed upon this as the amount of damage. The state agent then proceeded to the office of the local to make up his proofs, and was astonished to find that the policy in his company had expired some forty days previous and not renewed in his or any other company. He immediately advised the agent, that under the circumstances his company was not liable. He demonstrated that if the banker got any money at all for this loss, he, 'the agent,' would have to pay it out of his own pocket, inasmuch as the banker had instructed him to keep the property insured, and he had agreed to do so. When this dawned upon the local he saw the position in which he was placed, and entreated the adjuster to make up the proofs in the proper manner, just as though the policy had been issued. If it leaked out that he had not attended to the interests of his client he would lose his entire influence and much business in consequence. "But," responded the local, "if I must pay this loss out of my own pocket, I will see that he does not get a cent more than is owing him, and when we come to think it over, these figures are entirely too liberal, and I think that one-half of the



amount would be more equitable and satisfactory." The loss was reduced 50 per cent, and both the local and the banker evinced satisfaction.

#### THE LOCAL IS INFLUENCED BY HIS CLIENTAGE.

I do not mean to say that a claim should never be settled by a local agent. There are times when it may be necessary, but under such circumstances, however small the claim, the proof should be sworn to. A man may many times coach his conscience and accept an excessive amount, and sign a proof for it, but he might hesitate to take oath that the claim was a true and correct one. In this we prevent, in a measure, excessive claims. But you must not forget that the agent is bound to be influenced by those conditions that serve him. His clientage is his support; therefore, in the natural condition of things, his estimate must be taken *cum grano salis*. It is an inherent trait of human nature to exaggerate a claim for loss, and it is an anomalous failing of man to imagine his loss, his afflictions the greater, because they are his.

Recently a local agent wrote a manager regarding a claim which he made arising from fire about as follows:

#### SMOKE DAMAGE.

They had been drying a two weeks' wash in the basement of the dwelling, and while his family was dining, smelt smoke. He immediately went into the basement and found that the smoke was so dense they could not get around very well, but discovered the fire and put it out with an ordinary garden hose. The agent stated in the letter that he did not think the damage would be great, although some of the property was burned. The manager sent him a proof of loss with a request to adjust himself and submit itemized statement, which he did a few weeks afterwards, making a claim of \$280. Among the many items were 40 pillow slips, 14 dozen napkins, 10 shirts, 10 table cloths, 20 sheets and 20 dish towels. The claim was afterwards "adjusted" and settled for \$100.

I remember not many years ago of a loss on a certain fancy goods store. A claim was made for \$26,000, smoke damage. The adjuster visited the scene: thought if he paid the sum of \$250 it would be just about that much gain to the assured, for in his opinion the smoke damage, which was the basis of the claim, amounted to very little. To fortify his own opinion he called in an expert, who pronounced a judgment of absolutely "no damage whatever." The controversy continued between the companies and the assured for some time, when finally a compromised offer was made of \$2,500 and accepted. The assured, when questioned as to his excessive claim of \$26,000, referred to a loss settled in this city some time previous, wherein it was estimated that about \$30,000 over and above the actual loss had been paid. He did not consider that his claim, in view of that adjustment, was excessive.

These cases are by no means uncommon or unfamiliar to you, but when thus presented they must inevitably recall the fact that the present system



of adjustment is not only imperfect, but calculated to grow worse if not checked. I know there are those who disagree with me, but is it not an effort to extenuate for their own mistakes? In some instances they are pitiful evasions, well adapted to the occasion.

It may be quite as well to observe that leading principles regulate every department of underwriting, but sometimes modification so far intervenes as to render such regulations passive, if not inoperative. This but illustrates how gracefully we accommodate ourselves to habit, and how prone is human nature to accept departure from well-defined procedure. The fact is we are constructed on the lines of subserviency, and the so-called "expedient" is a law unto ourselves.

The contract says the assured shall be "indemnified," and it simply means the literal capacity for replacement, of the policy. It does not mean overpayment, but just what it owes.

#### EXTRAVAGANT PAYMENT OF LOSSES.

The individual cases of extravagant payment of losses are of little concern, but the aggregate of money so overpaid tells a mournful tale.

According to Mr. Moore, 90 per cent of the losses are 50 per cent and under, or in other words, of the 29,332 fires reported in 1892, 26,400 represent a loss of under 51 per cent of value. It is in this large number of fires that the excessive drain finds acceleration in the system of liberal adjustment.

Each man represented as a loser in these fires, paid a specific sum for his insurance. He paid for indemnity and nothing more. Then why should he expect anything beyond reimbursement?

The term "liberal adjustment" is a contradiction in terms, to the extent that "adjustment" means the estimation of loss. Just so soon as you pass beyond the limit of his damage, you do not "adjust," but you "give." Of this large number of fires, fully 90 per cent were adjusted on the basis of liberality and not indemnity, and yet the constantly increasing fire waste does not, to any appreciable extent, serve to correct this.

One manager contends that the large increase of loss each year is merely in tune with the increase of population and wealth. But this is not so. With modern improvements in the facilities for fire extinguishment, the advent of the chemical engine, etc., the total losses ought to diminish, and probably do. But total loss is not our concern; it is the partial loss up to 50 per cent. of the value that particularly interests us now.

#### STATISTICS.

In 1881 the per capita loss in the United States was \$1.60, while in 1891 it had arisen to \$2.30, an increase of 44 per cent., and until within the last two years, rates on the downward grade.

But let us examine further, and ascertain if this manager be correct. In the decade just mentioned, the population increased 12,500,000, only 25 per cent., showing an increase of per capita loss of 19 per cent. beyond its relative advance.

In the same period, between 1881 and 1891, the property value had advanced 52 per cent., a very large increase to be sure, but this apparently enormous increase affects land values to a much greater extent than it does personal property, and such property as is affected by insurance.

Of the present valuation, 50 per cent. is land, money and minerals, which are uninsurable, and consequently do not affect the increase of per capita loss. In these ten years, land values have made marked progress, and their increase has been far greater than such property as would affect insurance.

There is another consideration—the element of depreciation, and which in ten years is enormous. It would not approach the increase of value, but would operate to reduce the increase of personal property valuation to, say 30 per cent. This would then show a net advance in per capita loss, after allowing for such advance, of 14 per cent., a surprisingly large percentage.

This, then, is a development of facts to cause some apprehension, and especially when the year of '93 witnesses a fire waste of nearly two hundred million, an increase of more than 30 per cent. over the preceding year.

#### INCREASE IN THE CAUSES OF FIRES.

In the analysis of losses of '92 we observe a varied increase over previous years in the causes of fires.

Almost every hazard has increased, and were it not for the remarkable decrease of exposure fires in that year the showing would have been much worse.

We are far removed from a condition of safety, as the recorded statements of the companies would indicate, and we must now, more than ever before, turn our attention to adjustments.

Of twenty-five companies whose income reached the million-dollar mark, the average loss ratio in '92 was 58 per cent., the average expense ratio 36 per cent., and allowing the average dividend of 10 per cent. on the capital, 5 per cent. of the premium income was devoted to this purpose, leaving 1 per cent. for a rainy day.

This expense of 36 per cent. is too high, but not alone is this the disorganizing element; the loss account must command equal attention.

Having been assentive, it is most natural that you ask me to name a remedy. This paper is intended as analytic more than administrative, yet I would willingly venture the suggestion of remedy. To be concise, let it be in the intelligent application of careful inquiry and the rules of fair adjustment between the rights of parties. Let us stop this free translation of the contract. Make it literal.

The assured does not pay you one dollar more in premium than you ask of him. Why reverse the proposition and pay one dollar more than he loses? Every dollar that you thus pay over a man's actual loss, develops an increased hazard. The law of development will soon convert this into its double.

Commence to contravene the present custom of quick adjustments and settlements. Make inquiry into the loss beyond a few conventional questions.

## COMMON CARRIERS SET A GOOD EXAMPLE.

Our office sent some documents to one of our companies by express, and they were destroyed by fire. The clerk expressed the package as worth \$20. The express company took six weeks to investigate that claim, and after ascertaining that the copies could be reproduced for \$15, paid that amount.

An Eastern manager recently sent a \$25 banjo to his son at college. It was lost or stolen, and the railroad company made a most thorough investigation into the value of the instrument, and after four months he received a check for the \$25.

This was correct. These common carriers "agreed" to deliver safely, certain things, or to "reimburse" the sender, and after sufficient investigation they "reimbursed" and no more.

This entire question becomes merged into the one issue of competent adjustment. It is undoubtedly true that the experience of companies shows conclusively that poor adjustments are a more frequent source of excessive expense than any other item.

The president of a prominent company asserts that the year of '93 cost his company, over and above reasonable losses, about 5 per cent. of their premium income because of the prevailing system of adjustment. It is safe to say that if such be the experience of a company that is notoriously exacting in the details of this branch of its business, the general average would be much greater. In the year of '92 this 5 per cent. would have been a saving to the companies of eight million dollars. I should think that by the application of care and intelligence in the adjustment of our losses, a saving of 20 per cent. could be made, and thus the net earnings for a given year could be very materially augmented. In '92 it would have reached one million dollars. It has been suggested before, and therefore not new with me, that our policies contain a clause similar to the average clause of marine policies.

## PAY NO LOSSES UNDER TEN PER CENT.

It may not be out of place to suggest that our contracts contain a provision that no policy shall contribute for loss until the damage shall have attained a certain percentage, possibly 10 per cent. This would have a tendency to reduce the number of petty claims that are being constantly made, and which are always adjusted for about 50 per cent. in excess of the actual damage. The object is to insure for two-thirds or three-fourths of the value, and if it be the intention to make the assured responsible for a part of his total loss, why should he not be alike responsible for part of the damage? It is undoubtedly a fair assumption that protection in insurance should only be partial, and if we insist upon the assured being a co-loser with the company in partial losses, it will astonish us the extent to which this account can be reduced.

Our province is to make money; the purpose of our business to afford protection; the essence of the contract to insure; but the evidence of past years is very much against this assumption.

R. W. OSBORN.

Applause.



The Chair—I am glad to see that Mr. Osborn has elaborated an idea that I merely touched upon in the address I gave yesterday, and it is worth a great deal more than passing consideration. The matter of adjustment, as he says, touches the vital interests of our business, especially the careless adjustment of small losses. I think it can be largely corrected by the individual efforts of managers of companies. It is evident that some change is needed, and it will undoubtedly follow. At former annual meetings we have had trouble in keeping the members here until we could carry out the business we had before us, and as everybody, I think, is anxious to hear the Knapsack read, we have decided to hold that to finish the session with, and I am satisfied we can retain every member in his seat. We have one or two telegrams here from absent members, one dated Seattle, addressed to the Association, says: "Snowed in, but cheerful, regret necessary absence. With best wishes." It don't say where he is snowed in, but it don't make any difference. Another telegram here from the far north: "I send you greetings from the far north. Hoping you have had a successful annual meeting and a good time at the dinner to-night, W. L. Chalmers." Possibly he is snowed in.

Mr. De Veuve—In speaking of Mr. Osborn's paper, he touches upon the adjustment of partial losses by local agents. I think it is a very important matter. Local agents sometimes allow very extravagant claims for damage and I think if managers would pay a little more attention and instruct their agents or send some special agent or some adjuster who is near the vicinity to represent them in the loss, a large amount of money would be saved in the adjustment of losses.

Mr. Driffield—I do not think the local agent is altogether alone in his carelessness in treating partial losses. The adjustment of losses has been my chief occupation for the last three or four years, and I will state honestly for myself that I very rarely adjust a partial loss without feeling like kicking myself after I get through. I think that the difficulty which attends the adjustment of an ordinary partial loss is underrated by the majority of the members of this fraternity. In order to keep the assured, keep the business on our books and to



get rid of the personal worry which is bound to accompany any dispute between the assured and the adjuster upon a small trifling loss, we frequently lose sight of what is correct and merely act upon expediency. I think that the total percentage of over-payments upon partial losses is really as much due to the carelessness of ourselves as of the locals, and while I am in accord with Mr. Osborn's paper and the remarks of Mr. De Veuve that the employment of local agents in adjusting losses is not to be desired, I still think that we have to educate ourselves.

Mr. Kinne—Mr. President, that brings to mind an instance in my experience of a loss where there were thirty-two companies interested. Thirty-one of the companies were represented by Mr. Chalmers, an independent adjuster, and one of the leading managers in this town gave the adjustment of his loss to his local agent to attend to. The amount of his policy I believe was \$1,000 and the adjuster for the other thirty-one companies was greatly hampered in consequence. Now, I think that is all wrong. Whenever it is possible, always have a practical adjuster or a special agent of some company represent you, particularly where there are a large number of companies interested and a large amount involved, and then no matter if a local agent may have been communicated with, it should be turned over to the adjuster unless he is known to be incompetent, which, in this case, was not the fact. Another case occurred to me when the paper was being read. That idea of no claims being made under ten per cent. seems to me to be injurious, for the policy holder instead of trying to put out the fire would let it burn until the loss reached eleven or twelve per cent. anyway.

Mr. Wetzlar—I think the subject of Mr Osborn's paper of a good deal more depth than has been referred to by the other gentlemen. If you have a competent man at the helm to look into the cause and origin of a fire, a man of commercial and legal training, of good personal habits, who has been educated to the business for which you intend him, you can depend upon his handling the adjustment of losses in the way they should be. I am opposed to appraisements, as too often appraisements mean the paying of exorbitant claims. In ninety cases out of one hundred, an appraisalment means the

getting together of two disinterested arbitrators, one of which is chosen by the assured and one by the company, both trying to do the best they can by their principals; but the result is very seldom satisfactory to the companies. Young men in the business should be selected for their intelligence and educated for the purpose of handling losses. This is the age of specialties, and everybody in order to succeed must have his specialty. The medical profession is resolving itself into specialties, and everything else in the same way. The manager sitting in his office may be the best manager in the world but no more able to adjust a loss than a boy. The adjusting profession is a distinct branch of the insurance business which cannot be treated haphazard. Mr. Osborn's paper treats well upon the subject and I am sorry to say I didn't hear all of it; I only heard part of it. It treats on the subject in a tangible way, but it does not cover a point in our business which we encounter every day. I personally, as an independent professional adjuster, will be sent out on a large loss and be associated with very estimable gentlemen. They have been clerks and they are clerks and that is all. They have no more idea of the value of the property at issue or the conditions of the contract or liability of the company under the contract than a stranger, and still they are sent out by the company to interpret the legal liability and indemnify the assured in an unknown proposition and that is something this Association, I am sorry to say, cannot remedy. Papers are read here that intelligent minds could argue and discuss and should be discussed, but they are entirely ignored. They are read and then entirely dropped. Now I ask if it does not strike you that we ought begin at the beginning, as it were, and take up these different subjects at stated meetings and discuss them thoroughly—educate our young men. We have all had to start in and learn and we are learning every day of our lives.

Mr. Swett—I think Mr. Wetzlar has hit the very nail on the head. Incompetent men are sent out to take charge of losses, who are absolutely without knowledge as to values and it should be discouraged.

Mr. De Veuve—I do not quite agree with Mr. Wetzlar in the matter of educating young men. He had to make a start himself,

was once young and inexperienced like many among us who are learning something new every day, but the point I make on Mr. Osborn's paper is this: the reprehensible practice of permitting a local agent to adjust partial losses. I believe the local agent can adjust total losses as well as anybody else, because if it is a total loss it will be total no matter who adjusts it. I know when I started out, I am free to admit, that I was perfectly useless for twelve months, you may say I am perfectly useless now in a great many things, but I am very willing to learn. As Mr. Wetzlar remarks, if you send out a man who is competent to decide in all matters, who is a man well fitted to decide the company's liability, and fix all those matters to an absolute certainty, where does the young man come in? It is a matter of growth. A young man in the profession as I am, and many of the others here are, can only absorb those things by association with our elders and learn what to do.

That is not the question. The proposition Mr. Osborn advanced, the point he makes, is that practice of entrusting the adjustment of partial losses to local agents, and I think it is the source of great loss to insurance companies in general. I know recently of a loss that occurred where there were two local agents representing companies of considerable reputation in this city—the managers are of reputation—they insisted upon paying the assured a certain amount of money for that loss, for this reason: Notwithstanding he suffered certain specific damage, he was at a loss which no company could possibly indemnify him for. There was a consequential damage, which nothing could repay, therefore in the goodness of their hearts they considered it no more than proper that this man should receive from the insurance companies what we were wont to call a "New Orleans lanier," little extra. Of course, if we were charitable institutions, we would consider that proper, but not being so, the expense is a thing to be reduced and we certainly should not allow a man "lanier." An adjuster of intelligence could settle partial losses for the actual amount of money lost, and leave the assured in a satisfied frame of mind, and perhaps more so than the local agent. One man steps in to the loss and says to him, you have lost \$20, we will give you thirty, because you are a pretty good fellow, and another one

pays him for the actual loss sustained, he will say that the latter is a business man, and will think that the former was trying to bribe him for a small amount of money; therefore, as originally stated, I don't believe in entrusting the settlement of partial losses to agents.

Mr. Watt—I want to take exception to Mr. Wetzlar's position, on the question of adjustments. If I understood what he said, and I think I did as I listened very carefully, he disapproves the adjustment of losses by special agents; I was surprised that he received applause, and that some of the applause came from special agents. I disagree with him in the first place when he says that a young man who is capable of going out through the country to inspect and decide as to the desirability of risks, as to the value to be placed on buildings and contents, is not able to adjust a loss. I would rather have a well trained and rounded man in the business than a one-sided man. I believe they are of more value to the profession. I believe a young man should go out into the country and learn to handle the men who are local agents, how to inspect risks, find out the physical hazard and how to adjust losses. You will remember that Mr. Sexton and Mr. George Grant, the worthy editor of the "Knapsack," Mr. Famonville, Mr. Tyson, Mr. Tom Grant and others; I think I could go on and name perhaps thirty-five or forty of them, men who have risen to their present positions through every stage of the business, including special agency work, and I think of one or two cases of independent adjusters who have tried the management of companies—I know not why they did not continue as managers—but they did not. It all depends upon what these young men want to be—dependent adjusters or agency or company managers. If he starts in to be a bookkeeper he is likely to be a bookkeeper all his life, and nothing else, but if he starts in to learn the whole business he learns how to keep books also. If you just learn how to be an adjuster, you will always be an adjuster.

Mr. Dornin—I want to say a word commendatory of the endorsement of young men in the profession, something done so handsomely by Mr. Watt. I remember some thirty years ago I was sent out by Mr. R. H. Magill. I was acting as special agent and was sent to



adjust my first loss, and I well recollect the trepidation with which I went to work. I was commended for it on my return, but a week after he called me into the back office and showed me where I might have done better. I can see now where I might have saved money for my company in my adjustments, but each instance is educational. Mr. R. H. Magill at that time was one of the best general agents on this Coast. I presume he is now. He was kind and considerate with young men, made kindly suggestions as to the method of adjustment, etc., encouraged educational practices. I believe most of the managers and agents are endeavoring to educate their staff of young men to make them proficient, give them the results of their experience, and in that way they are establishing on this Coast a corps of brilliant young men who are to follow us. The best papers I heard to-day are the emanations from young men of the field—local agents as well. It must be borne in mind that it is not altogether within the power of the general agent to exercise any discretion as to how a loss may be adjusted. By the way, we seem to be switching off from Mr. Osborn's valuable paper. Some of the general agents are on commission. Others are salaried men who are responsible to their companies for the cost of doing the business. We all know the Eastern papers are full of criticisms from time to time as to the cost of adjusting, and general agents or managers must exercise great care in this. Some of the Eastern head offices are more particular as to the cost of adjusting than the amount of the loss. If the expense ratio for the year is increased one-half of one per cent there are several pages of correspondence received in regard to the cause which led to it, while the ratio of losses may have increased five per cent and but little is said of it. I believe that all of us, most of us, who have large correspondence find men in the field who are within easy reach who are trying to make themselves efficient underwriters. They are studious and try to post themselves by all possible means. Now, it is my method to find somewhere in the field a man I have confidence in who may represent us when our own specials are not within reach or are too busy. It is my experience that the local agent, if he is worthy of the position, is as tenacious of his company's rights and interests as any outside man can possibly be, and I am rather proud of the local agents on

this Coast. I believe that general agents will agree with me that it is difficult to find a more conscientious body of men. I see some old friends from Denver here. I think they will endorse what I say. During the last six months of the year there was shutting down of mills and general tumult caused by the silver agitation. Knowing the men as I did throughout Colorado, I felt satisfied that they were so thoroughly conscientious that I had no anxiety that they would not fulfill their duty and take all the precautions necessary to guard against suspicious fires and incendiarism.

Mr. Grant—I was about to say that I think the point Mr. Wetzlar made is a good one in regard to burying up valuable papers instead of making the organization what it was intended to be—educational for the younger members. As I understood Mr. Wetzlar to say: Send qualified adjusters to adjust losses, but qualify some more through the means of this organization.

Mr. Wetzlar—If you will permit me to take up the time of the Association just about two minutes, I desire to state that Mr. Grant is absolutely correct in his remarks. I see before me a number of young men, some of whom have been in the business for a number of years. There is not one of them here to whom at any time I have hesitated to give advice, counsel and assistance when such was wanted. There has been a great number of times when young men have advanced to me ideas which were new, and I have been benefitted thereby, but Mr. Watt has entirely mistaken my remarks when he supposes I am against educating the young men. On the contrary, I am in favor of educating them; but I am not in favor of sending them to adjust losses until they are educated. I remember some twenty-six or twenty-seven years ago, when I started out in this business and was sent to adjust losses as a green hand, I was sent out with some adjusters—Mr. R. H. Magill, Mr. H. H. Bigelow, Mr. Tom Grant and different members Mr. Dornin has named—to act as their clerk and see how these things were done, and my company paid those gentlemen their pro rata. I got my education, but the company did not experience the loss to any greater extent by reason of my inexperience. My friend De Veuve thinks that a local agent can always adjust a total loss. That reminds me of an inci-

dent. I was sent to adjust a loss in a town where there was a general conflagration. The town was nearly burned down, and I was representing a number of companies. I was sending home the papers as fast as the losses could be adjusted. Those that I sent home were all total losses, and I received a despatch from the President of one of the companies saying that if the balance of the losses were as likely to be total as those sent in already why not draw a check for the whole amount? I answered: "If you have any known process by which you can determine a loss to be total without investigation, speedily wire."

Mr. Faymonville—We are drifting toward specialism. Twenty years ago we had physicians who were all-around physicians—pulled a tooth or sawed off a leg with equal facility. But what would do twenty years ago would not meet the demands of to-day, and we must have specialists, must have men who make special study of the different branches of the insurance business, and make some particular branch their life-study. While I am pleased with the round-about young man Mr. Watt has drawn for us, and don't care to discourage him, yet I believe the time is coming when we must give our entire attention to some particular branch of the business, to the exclusion of the others, if we wish to succeed.

Mr. De Veuve—I don't believe this debate was started for the purpose of advertising special adjusters, or independent adjusters. I believe in special adjusters all right, but the question is whether special agents are competent to adjust losses. The first question was whether local agents ought to be entrusted with the adjustment of losses. There is no question in my mind that the average old special agent to-day is something to the insurance business—the same idea as Pat's wife had of the codfish balls. It seems a couple came over from the old country and sat down to dinner in a Boston hotel. They were not used to hotels and betrayed their ignorance in the usual ways. The waiter salaamed up to them to receive the order, and Pat took up the bill of fare and ordered a beefsteak and handed the bill to his wife. She read beefsteaks, mutton-chops, and so on, finally coming to codfish balls. "P'hat's that," said she, "codfish

balls?" "Ah, go on," says Pat, "sure don't you know that is the best part of the fish." And so it is with the old special agent in the insurance business.

Mr. Gunnison—I don't want to consume time, but I have one word to say. Mr. Watt, I think, went a good deal out of the way to call up the question of special agents adjusting losses. I think, if I understand the reading of Mr. Osborn's paper, he did not refer to special agents at all in the paper; he only referred to local agents—the employment of local agents in adjusting losses. Mr. Kinne confined himself to the question of local agents, the employment of local agents with adjusters, independent adjusters, or special agents acting as adjusters. I do not think anyone on this floor has any objection to special agents acting as adjusters; I certainly have none myself. I would like to inquire of Mr. Watt if after he has rounded out and developed his adjuster until he becomes an adjuster, what he is going to do with him? So far as special agents and independent adjusters are concerned, I don't think there is an independent adjuster in the field to-day that did not start out on the lower round of the ladder and work up to the position he holds. So far as I am concerned, I commenced in the business at the lower round of the ladder and when Mr. Watt was but a mere child. I went through all the stages from that of mere solicitor, or from office boy, through, except that I have not been President of the company. Nearly every one of these adjusters to-day have done the same, and I don't believe there is one who will object to the employment of special agents as adjusters. But the employment of local agents as adjusters is all wrong. Colonel Kinne was exactly right in his position. For instance, say we have ten companies on a loss, and nine of them employ, as he says, an independent adjuster to go and adjust that loss. The tenth one employs a local agent. Once in a while the local agent is a very nice man, and a sensible man, and when an independent adjuster comes, says: "I won't interfere, and will do the best I can to assist you, if you require any assistance: but I won't interfere with this adjustment." That local, I say, is a sensible man. He acts in justice to his company, but if you get a-foul of one who is anxious to show what he can do, he makes it



very disagreeable for the adjuster and very often causes additional expense to the company, in his anxiety to please the assured.

President Ives—I am glad to see so much interest taken in this matter of adjustments. We have not much more time to devote to it this afternoon. Perhaps a committee might be appointed to take it up the coming year. No doubt my successor will be able to take such means as to have them thoroughly discussed. If we can proceed to other business now, we have got some little unfinished business which I would like to bring up. In June last year there was a Committee on Builders' Contracts empowered to report for a form for improving the present one in use, and that committee was continued in office to confer with the Builders' Association and see if any action could be got from them with reference to adopting a form they could recommend. Colonel Kinne was the chairman of that committee. I think the Association would like to learn from him what action, if any, the Builders' Association took.

Colonel Kinne—Mr. President, the committee met, and the committee was continued as you stated, and conferred with the different officers—President and Secretary—of the Builders' Association, and they seemed to approve the action and were to call a meeting to consider the matter, and what action they took I don't know. That is the last I have heard of it.

President Ives—There is another question which seems to have been left unfinished last year at the December meeting. The question arose regarding the non-payment of dues. A committee was appointed—Mr. Wetzlar, Colonel Kinne and Mr. Lowden—to draft some form, to be presented at the next annual meeting, with reference to the matter. I see the chairman of the committee is here, and can tell us what was done with it.

Mr. Wetzlar—What committee was that?

President Ives—The committee to formulate an amendment to the constitution which would make it obligatory on members to pay their dues, as I remember now, within thirty days from the date of the annual meeting, and when notified by the Secretary of the Asso-

ciation; if they were still delinquent at the end of sixty days their names were to be arbitrarily dropped from the rolls.

Mr. Wetzlar—If I have been put on that committee it is the first knowledge that I have of it.

President Ives—You were at that meeting, Mr. Wetzlar.

Mr. Wetzlar—I have no recollection of being on the committee, and will simply say that the committee has performed no action. I am very sorry to say so.

Mr. Dornin—Let the chairman report progress. I beg to offer the suggestion—

Mr. Grant—I was appointed on the Library Committee and with your permission I will submit these reports: (Reports are read.)

#### REPORT OF COMMITTEE.

*To the President of the Fire Underwriters' Association of the Pacific:*

Your committee to whom was referred the report of the Library Committee beg to submit the following resolutions for adoption by the Association, viz.:

*Resolved*, That an appropriation of \$100 be made out of the income of the Association for the use of the Library Committee for the coming year.

*Resolved*, That from such appropriation the sum of \$45.15 be employed in the reimbursement to the chairman of the retiring committee for outlays made by him in excess of receipts for the past year.

*Resolved*, That the recommendation of the Library Committee relating to preparation of publications for the 20th anniversary of the Association be referred to the incoming committee, with suggestions that the same be acted upon by them so far as funds at their disposal may admit, with particular reference to preparing a catalogue of the Library and index to the Annual Proceedings. That the Association appreciates the value to it of an appropriate compendium of its history for twenty years ending with its anniversary in 1896, as outlined by the committee, and recommend their earnest endeavors for its preparation, so far as any means can be developed for the purpose.

*Resolved*, That the thanks of the Association be extended to the Coast Review, the Pacific Underwriter, the Insurance Monitor, the Weekly Underwriter and the Standard for the free furnishing of their respective

periodicals to the library of the Association; also to Mr. F. H. Porter for valuable services rendered for the benefit of the Library.

Respectfully submitted,

H. M. GRANT,  
E. W. CARPENTER,  
P. OUTCALT,

Committee.

### REPORT OF COMMITTEE.

*To the President of the Fire Underwriters' Association of the Pacific:*

Your committee to whom was referred the report of the Executive Committee, beg to submit the following resolutions for adoption by the Association, viz:

*Resolved*, That the urgent call of the Executive Committee in its report upon members for prompt payment of dues is heartily approved, and that this Association as a body appreciate the importance of such action, and urge upon its individual membership the prompt payment of their annual dues not later than sixty days after any annual meeting.

*Resolved*, That this Association appreciating that many of its members are prevented by circumstances from intimate or frequent association with it, the suggestion of the Executive Committee of making a charge of fifty cents to each member of the Association for a copy of the Annual Proceedings is deemed inexpedient, but it is

*Resolved*, That one copy of the Annual Proceedings shall be delivered without charge to each active member, and that other copies shall be charged for at the rate of \$1 each; also that each member be requested to state to the Secretary in advance of its publication the number of extra copies he may desire, so that, including a reservation of five copies for the use of the Association, and such as may be required for exchange with kindred associations or libraries, no more copies may be published than needed.

Respectfully submitted,

H. M. GRANT,  
E. W. CARPENTER,  
P. OUTCALT,

Committee.

Mr. Wetzlar—I move the report of the committee be accepted placed on file and the recommendations be adopted.

Mr. Watt—Does that bind us to the recommendations?

President Ives—Yes.

Mr. Watt—If it is binding, I don't want to adopt them, but if it is not, why all right. If it is, I want to say a word. I don't think we have copies enough, for the reason that some members of the Association like to keep records of the Association, and I don't regard the number mentioned as sufficient. The next point is the price. I would like to have it fixed at fifty cents instead of a dollar, and the number of copies retained, to be ten.

Mr. Grant—I would say that the committee put the price at a dollar for the reason that we need all the funds possible, and fifty cents will not pay for the printing of the copies; but as to the number of copies to be kept on hand, whether it be five or ten, is immaterial.

Mr. Kinne—I move that the number five be amended to twenty-five. I think with Mr. Watt five is not sufficient.

President Ives—You put that as an amendment to Mr. Watt's motion?

Colonel Kinne—Yes.

Mr. Watt—I accept that.

President Ives—You hear the motion. It has been seconded that the committee's report be changed, as I understand, to read twenty-five extra copies, to be retained in the Association.

Colonel Kinne—Question?

Mr. Wetzlar—I move that the price be placed at fifty cents for the extra copies.

Mr. Dornin—I presume the committee has taken that matter into consideration.

Mr. Kinne—What do they cost apiece?

Mr. Grant—The Financial Secretary has the statement.

Mr. Driffield—I think the number was four hundred and the cost a little over a dollar apiece.

Mr. Grant—The committee reported that they spent \$415 and received but the paltry sum of \$17 on account of sales, and that is



what prompted the committee to say that the price should be a dollar, for the reason that we don't want to run into debt.

Mr. Driffield—I don't think, Mr. President, there will be any need for more than 250 copies. We have a very great stock of those previous reports which have not been called for. We have 185 members. Add to that the twenty-five additional talked of, will make 210, and allow about forty, which should be the outside number which we can rely upon to be sold, brings it to 250.

President Ives—The question is in regard to making the price fifty cents instead of a dollar.

Mr. Dornin—I move as an amendment that the matter be left in the hands of a committee, and their action be final.

Mr. Wetzlar—If I understand Mr. Dornin that this matter be left with the Executive Committee, I second the motion. I believe the Executive Committee of this organization, when the time arrives for the printing of this annual report, is best capable of judging whether to charge a dollar, or two dollars, or fifty cents. I second the motion.

President Ives—The question before the organization is that the Executive Committee have entire charge with reference to the publication of the proceedings.

Colonel Kinne—Not to exceed a dollar charge.

President Ives—Not to exceed one dollar; all those in favor say "Aye."

(Carried.)

Colonel Kinne—I now move that the report of the committee as amended, be adopted.

(Carried.)

Mr. Wetzlar—The Building Committee has made a report and there has been no action taken upon it.

President Ives—The Building Committee came up last June and was accepted. They were continued in office.

Colonel Kinne—They were notified at the time that they would come up here, and be part of the proceedings and the report be printed in the proceedings. If that is not so, I move that the report be printed.

President Ives—It is moved and seconded that the Building Committee's report as reported last June be adopted and printed in the proceedings as the voice of this Association. Those in favor say "Aye."

(Carried.)

Secretary Osborn—I have been requested by two members to present to the Association an old policy, issued ninety-eight years ago. It is that of the Mutual Insurance Society of Richmond, Virginia, and is presented with the compliments of Mr. De Veuve and Mr. Smalley.

Mr. Kinne—I move it be accepted with thanks, and that the Secretary be instructed to have a suitable frame made and hang it up in our room.

Mr. De Veuve—It is through the courtesy of Mr. B. D. Smalley that the Association received this policy, and, therefore, I don't claim any of the glory.

Mr. Smalley—I don't think he is entitled to any. I wouldn't have given the policy to him, only I wanted him to write out a nice speech and present it to the Association in good form; but he has not done it, and I don't think he is entitled to any of the credit.

Secretary Osborn—Last week Captain Magill informed me that he had quite a number of books, principally statistical works, bound volumes, that he wished to present to us, and I accepted them for the Association.

Mr. Faymonville—I move that the Secretary convey the thanks of the Association to the Captain.

(Carried.)

President Ives—I think that is customary, and if there is no objection it is so ordered. The next thing is the amendments offered

by Mr. Watt at the last meeting. He gave notice of an amendment. Will the Secretary please read the proposed amendment?

(Secretary reads the amendment.)

#### PROPOSED AMENDMENT.

*Resolved,* To alter or amend the Constitution, notice must be given at a regular meeting, and the Secretary shall have such notice to alter or amend, together with a copy of such alteration or amendment, printed and sent to each member. At the next annual meeting succeeding such notice, on a two-thirds vote of all members present, said alteration or amendment may be adopted.

Colonel Kinne—I move adoption of amendment offered by Mr. Watt. It has been talked over a good deal by the members, and would save a vast deal of trouble. A two-thirds vote of the members present should be sufficient and the change would do away with the bothersome plan of having proxies.

Mr. Grant—I fail to see how you can alter or amend the constitution by two-thirds vote of the members present now any more than you could a year ago. I simply want to make a little personal explanation, if it is not out of order. It is in relation to a ruling of the Chair at the last annual meeting. I had the honor to be your President, but was not able to meet with you frequently during the year. There were some thirty-five members present at that meeting. I presented what you might be pleased to call a semi-annual address, and in it referred to the condition of our monthly meetings, the paucity of attendance which has become traditional, and suggested that a change be made to quarterly meetings instead of monthly meetings. At these quarterly meetings special efforts to be made, so that the meetings could be developed in numbers and developed in interest. The semi-annual address was objected to in matter and manner by my friend Kinne. It was an innovation, and he didn't care to have any semi-annual address. But it seemed to me that the matter should have attention, and I presented it in that way. It was referred to a committee, and the committee prepared as their report some amendments to the constitution changing the order of meeting to quarterly, changing the manner of election of members,

and some other alterations to the constitution. Notice was duly given at the monthly meeting preceding the annual meeting. When the committee discussed it at the annual meeting the hour was late. It was the sense of the meeting, apparently, that the amendments should prevail; in fact, we had proceeded as far as possible in the matter and adopted the amendment changing the order of meetings to quarterly meetings. As the hour was getting late and a good many had to get away, had to brush up their dress suits and get ready for dinner, and there were only a few left, it was then suggested that we proceed irregularly, because it required two-thirds vote of all the members.

Mr. Kinne—A majority.

Mr. Grant—Majority, I mean, and a ruling was asked for by the Chair, and I ruled to amend by a majority of the members present, or words to that effect, because of the exigency and because of the unanimity of opinion in regard to the case. In fact, my friend Col. Kinne had already expressed himself for the amendment, but an appeal was taken from the Chair's ruling, but the ruling was sustained by the Association. It seems to me now that it became an act of the Association and the amendments were carried. I simply rise to make a personal explanation, and think that this will settle the business, because of the exigency.

Mr. Kinne—I would like to say that the matter was never deemed by those who were in the minority at that time—there were only thirty-five or seven present—that an illegal act could be made legal by performing an illegal act. The matter was brought up, and considered by all present, that there should be an effort made to obtain proxies, and do the thing right, and to-day we have enough present, or by proxy, to have a majority of the members of this Association act under the rules, as they were legally adopted, say twenty years ago, and it wouldn't take any time at all to have this matter settled. It is perfectly indifferent to me whether they have quarterly meetings or monthly meetings, or whether you vote for applicants by the committee of fifteen or not. I am willing to leave the room and let you settle it as you please. I don't believe that anything that has



been done illegally should be right. Several members have proxies and it seems to me that we can in this way act and it will satisfy everybody, and make legal anything you do in the future. My motion is on the adoption of the amendment offered by Mr. Watt.

President Ives—It is moved and seconded that Mr. Watt's motion be acted on, to alter or amend the constitution. We have had a great deal of trouble during the last year in regard to the election of members, and if the constitution is amended in this way, it will be better.

Mr. Watt—Mr. Driffield wishes to insert the words "or by proxy." I don't think it is necessary, but will consent.

Colonel Kinne—"By proxy." We are getting right back to the same old thing.

Mr. Watt—Oh, I don't think so.

Colonel Kinne—That matter was settled once, and it was to avoid that very idea of anyone coming in here with proxies and voting them that the amendment was made.

Mr. Watt—Since it does not meet with common consent, I withdraw it.

Mr. Grant—With reference to the passing of this amendment, we have still to wait another year, before we can pass upon the matter of quarterly meetings.

Mr. Kinne—An amendment can always be offered.

Mr. Grant—I would like to have the proposed amendments of last year adopted now.

President Ives—That can be done very soon; all in favor of Mr. Watt's motion—

Mr. Kinne—That is not the thing. We shall act upon it. Here are the proxies. There are seventy-six proxies here. Some few are present; it will make over a hundred. We only require ninety-three. We will file the proxies.

Mr. Faymonville—I move that Colonel Kinne vote the proxies. Somebody has got to vote the proxies—without calling the roll.

Colonel Kinne—I move the adoption of the amendment.

(Carried.)

Mr. De Veuve—Before the meeting proceeds with the election of officers, and the reading of the “Knapsack”—I don’t wish to put myself on record as a constitutional kicker, but this matter of mortgage clause came up this morning. A committee of five was appointed, and I now move that the committee be instructed to report on the matter of mortgage clauses at the next meeting of this Association.

Colonel Kinne—I second the motion.

Mr. Lowden—I wish to say if that is carried, I shall resign from the committee. It is impossible for the committee to get material together, and to be restricted to a certain time; it is very much against my wish.

Colonel Kinne—Whether it is a quarterly or a monthly meeting, the committee can suit themselves about the reporting; they can report progress. Question.

President Ives—It is moved and seconded that the committee appointed on mortgage clause shall report at the next meeting of this Association.

(Carried.)

Mr. Gunnison—I believe you didn’t declare in favor of the vote at all.

President Ives—I did. I declared that the “ayes” had it.

Mr. Grant—I wish to make a motion to the effect that the amendments proposed at the last annual meeting, and which you have a copy of, be now adopted by this Association.

Mr. Watt—I second the motion.

Colonel Kinne—Question.

President Ives—It is moved and seconded that the amendments be adopted, whether legal or otherwise, by this Association. Will Mr. Grant state his motion so we can have it straight?

Mr. Grant—The motion is that the amendments that were presented at the annual meeting last year concerning the changing of the meetings to quarterly meetings instead of monthly meetings, the election of members, and other matters in relation to the publication of the proceedings, be adopted now by the Association.

Mr. De Veuve—Second the motion, Mr. Chairman.

Mr. Wetzlar—I rise to a point of order. This is an adjourned meeting; that is, adjourned from month to month. Can we vote upon that proposition now?

Mr. Gunnison—I wish to inquire what those amendments were so we can vote on the amendments. If it takes in that fifteen-star-chamber voting on members I don't believe in it. I want to know whether it does or not.

President Ives—It is moved and seconded that Mr. Grant's motion as read—

Mr. Grant—Proposed amendments submitted at the last annual meeting be adopted by the Association at this meeting.

Mr. Wetzlar—I move that Colonel Kinne cast the proxies in favor.

Mr. Grant—We don't need it now.

President Ives—Those in favor say "aye." Contrary "no."

Mr. Gunnison—I voted "no."

President Ives—The "ayes" have it. We shall now proceed to the election of officers.

Mr. Faymonville—I take pleasure in placing in nomination Mr. Rolla V. Watt. We all know him and know what a good President he will make. I take great pleasure in naming him for the presidency.

Mr. Wetzlar—I move that the nominations be now closed and let the Secretary be instructed to cast the ballots for Mr. Watt.

Mr. Watt was declared unanimously elected.

Colonel Kinne—I move that he prepare a speech for the banquet this evening.

Mr. De Veuve—I would like to place in nomination for Vice-President a gentleman who has given us his attention and services—has always been a valuable member of this Association. I therefore take pleasure in nominating Mr. Herbert J. Folger of Portland, Oregon.

Mr. Swett—I place in nomination Mr. Driffield.

Mr. Kinne—I move the nominations for Vice-President be closed.

President Ives—Mr. Folger and Mr. Driffield are the candidates for the vice-presidency. I will appoint for tellers Mr. De Veuve and Mr. Swett.

Mr. Swett—There were forty-four votes cast, Mr. Chairman, of which Mr. Folger received 13 and Mr. Driffield 31.

President Ives—I declare Mr. Driffield elected Vice-President. Nominations are now in order for Secretary.

Colonel Kinne—I desire to place in nomination for the position of Secretary, Mr. Osborn.

Mr. Wetzlar—I move the nominations now close and the President cast the ballot for Secretary. All in favor say “aye.”

(Carried.)

Mr. George Grant—I hope the customary amount will be passed from the treasury to Mr. Osborn.

President Ives—It is moved and seconded that the usual annual remuneration be allowed the Secretary. All those in favor say “aye.” Contrary “no.” So ordered.

Mr. Watt—Mr. Chairman, in view of the fact that it is now twenty-five minutes to five, and a large number have been compelled to leave the room, I move to test the sense of the meeting, though I do not want to urge it, but just to see what you think, that Mr. Grant be asked to read the “Knapsack” at the banquet to-night.

Colonel Kinne—Don’t we have to vote for an Executive Committee?

Mr. Watt—My motion is, Mr. Chairman, that Mr. Grant be asked to read the “Knapsack” at the banquet.



Mr. De Veuve—I believe Mr. Watt's motion is out of order. I move that the meeting adjourn to half past six, and that Mr. Grant be permitted to read the "Knapsack."

Mr. Watt—No, not permitted; requested.

Mr. Grant—We got so far as the Executive Committee. I desire to put in nomination——

Mr. Watt—I rise to a point of order. I would like to know if my motion has been declared out of order.

President Ives—I think it is in order, under the circumstances. It is moved and seconded——

Mr. Gunnison—It would not be under ordinary circumstances, how can it be now?

President Ives—I am trying to get at the desires of the Association.

Mr. Gunnison—This "Knapsack" won't take more than thirty minutes to read. I don't believe Mr. Grant would receive the proper attention if it were read at the banquet. Besides, I know eight or ten that will not be present at the banquet. I guess they can wait here till half past five and listen to that paper. That is about all we have got to do.

President Ives—It is moved and seconded that Mr. Grant be requested to read his paper at the banquet instead of now. All those in favor say "aye." Contrary "no." The motion is lost.

Mr. Grant—I want to put in nomination as one of the Executive Committee, and its chairman, a gentleman who has done a great deal for the Association, and who will do a great deal more, and will be very efficient in the position—Mr. Herbert Folger of Portland. I didn't know that his name was to come up for Vice-President. He is a very able and efficient man, and as chairman of the Executive Committee he would do much good.

Colonel Kinne—I would like to ask the Secretary to read the names of those on the Executive Committee.

President Ives—I can give you the information (giving the names to Colonel Kinne).

Mr. Wetzlar—I nominate as member of the Executive Committee a young gentleman who will undoubtedly add to the strength of that committee, and who is a good, earnest, hardworking member of the Association. I mean Mr. Franz Jacoby.

Mr. Lowden—I nominate Mr. James H. De Veuve.

Mr. Gunnison—I move that the Secretary be authorized to cast the ballot for the Association.

Secretary Osborn—I cast the ballot for Messrs. Folger, Jacoby and De Veuve.

President Ives—The same are declared elected the Executive Committee: The committee of fifteen members—

Colonel Kinne—I move the selection of fifteen members be left to the Executive Committee and the Board of Officers, acting jointly, and we empower them to cast the ballot for the fifteen.

Mr. Grant—I move to amend, and suggest the naming of the previously elected fifteen of last year. My amendment is that the same fifteen be nominated as Election Committee.

Colonel Kinne—I decline to accept that as an amendment to my motion. My idea is to have a new Election Committee, and the Board can appoint the same ones or others as they see fit.

Mr. Grant—The method by which they shall be elected shall be by ballot.

Colonel Kinne—I move to leave it to the Executive Committee and the Board.

Mr. Grant—I move the Secretary be authorized to cast the ballot for the fifteen members nominated as a committee at the last annual meeting.

Colonel Kinne—There are some on that committee who do not serve, do not have the time, and a new Board of Officers can make selections of men who will serve. I ask for the reading of the names.

(The Secretary reads the names.)

Mr. Dornin—Question, Mr. Chairman.

Colonel Kinne—I desire to have some other name placed there instead of my own. I decline to serve.

Mr. Watt—I do hope we will not waste any more time. We are just killing time here for nothing.

Mr. Osborn—The name of Mr. Dornin is suggested in place of Mr. Kinne.

President Ives—The Secretary will cast the ballot for Mr. Dornin.

Mr. Osborn—The following are duly elected to serve as the Committee on Election:

L. B. Edwards,	Geo. D. Dornin,
Edward Niles,	W. H. Lowden,
George F. Ashton,	J. W. G. Cofran,
A. J. Wetzlar,	E. W. Carpenter,
R. W. Osborn,	Charles A. Laton,
B. Faymonville,	Rolla V. Watt,
Henry T. Fennel,	George F. Grant.
George W. Spencer,	

Mr. George Grant then proceeded to read the "Knapsack."

## CALIFORNIA KNAPSACK.

VOL. XVIII.

FEBRUARY 21, 1894.

NO. 1.

Twenty-five years ago a man working in an insurance office was taught to believe that the first requisite for making money in his business was an adequate rate. The subject of rates was the theme for private lectures and public papers. So imbued did he become with this idea of rates, that the first printed speech containing a doubt of this theory gave him a shock of disapproval, and the author was regarded in the light of an apostate. It is useless now to speculate on the motive of the author. He may have been a crank out of a job, or one ambitious for notoriety as an advanced thinker.

The seed he dropped took root and bore fruit. Year after year the doubt was nursed, until at last it lost a doubt's identity. Since then, every ingenious theory imaginable has been presented in an endeavor to prove why the net profit should *not* depend upon the rate at which policies are written.

When the Compact office was born, it came for the purpose of controlling the morals of the business. The Compact manager was the keeper of the insurance conscience, and like a faithful monitor stood watch over the just and unjust, holding all to a strict account and showing favoritism to none.

In an unguarded moment the manager, listening to the logical siren, reduced a rate on apparently technical grounds, but before he could, metaphorically speaking, say Jack Robinson, he had reduced the rate on the whole class to which this risk belonged; and this was done, too, under pressure of the "Governing Board" and to the great satisfaction of every competing solicitor and the calm delight of the policyholder.

Then some one advanced the idea that if rates were only reduced *all around* it would prevent the disruption of the Compact, because it would leave the rate-cutter nothing in particular to cut from. For look you, it seems to be better to roll up a large volume of business, and thus demonstrate superiority over one's adversary, than to stand guard over the rate.

Whatever element of chance there may happen to be in the business thus becomes the foremost idol of the hour.

Fortunately for the Pacific Coast we have been too old fashioned to tread rapidly in the footsteps of our Eastern brothers, but we are tending that way. Year after year the wail of "no profit," is heard from over beyond the Rocky mountains. Year after year the conflagration hazard increases.

I leave to others the analysis of the fire waste, but to you members of the Association I recommend the subject of adequate rates on the Pacific Coast.

One constant menace to the rate is the "patent appliance." Sometimes it comes in the guise of an improved fire alarm; again as an extinguisher; but whatever form it takes it is accompanied by no end of printed proof of superiority, and a talking agent before whom logic and reason are expected to fade away, and reduction of rates to then and there obtain. If this were all it would be better; but hardly have we become accustomed to the reduced rate, when an able talker, with more pamphlets, nails us down, demanding a further reduction because of an improvement in the patent.

The older one grows and the more experience one gets in the world's affairs, the more he learns to know that persistent effort will accomplish almost anything.

If a local agent sets his mind on the reduction of a certain rate he will get it. It may take time, but he will get it. And as one good turn deserves another, other agents will get reductions on similar risks, and get them the more easily because of the precedent established.

There never was a better time than now to agitate the subject of adequate rates. We have just left behind us a hard year. All have not suffered alike—the rule is proven by the exception. Before us we face we know not what. But, associates and friends, if experience is worth the lives worn out to gain it, why not accept the advantage which costs us nothing?

Let us return, as nearly as possible, to the theory which controlled men in the insurance business twenty-five years ago. Let us return to adequate rates.

GEO. F. GRANT, EDITOR.



## BEES.

Bees, of course, come under the head of "special hazards"; at least I've always found them specially hazardous. "Hives," too, I'm told, are bad, but I can't speak from personal knowledge, as I never had them.

The specially hazardous feature of the bee is his *fiery* nature; hence, hives containing rival swarms should be charged for as exposures to each other. Good underwriting would demand that a specific amount be placed upon each bee; or a warranty that, in case of loss, no bee should be valued to exceed \$. . . , etc., etc. There should be proviso that no bee is covered under the policy while straying off the premises of the assured, which would be defined by metes and bounds (or, as the bee does not *bound*, by metes and *flights*. It should be understood that the "metes" does not refer to the *meets* between two or more rival swarms, or to any meat human or other kind, into which the bees may insert their stings.)

Specific amount should be named on the "queen" bee, and she should be insured by *name*, so that in case she is *fired* by the hive (company not liable for such *firing*) the new and substituted queen could not be foisted upon the innocent adjuster as the original simon pure queen of royal descent covered by the policy. Nor will the company permit any fictitious value to be placed on such queen. Queens are plenty and supply greater than demand. (See Hawaiian Islands.)

Come to think over it, I'm not sure but that *bees* should be rated as factories—honey factories with or without "steam power." (All I've handled I'm *sure* have steam power, or at least a *furnace* in the rear.) With these hints you can't go astray.

An underwriting friend, looking over my shoulder, suggests that it should be specially mentioned in the policy that the *female* bees are not covered by the *policy*, as the *male* bees are supposed to attend to that duty.

Same ruling may apply to the queen. Loss on "stings" should be mentioned in detail, that is in de tail of de bee. (See?)

Observe the busy agent  
 Improve each shining minute,  
 And gather premiums all the day.  
 In fact, he's strictly "in it."

## BAD PENMANSHIP APPRECIATED.

The Colorado specials, as well as accountants, who have a vivid recollection of J— B—'s hieroglyphics, will be pleased to learn why his agency was popular and why he controlled so much good business. The reason, as given by one of his clients, was, that under one of J— B—'s policies one could recover for any property burned anywhere, as no adjuster could prove by the written portion of the policy what property was, or what property was not, intended to be covered.

## NERVE.

A certain California woman decided to "make her way," and undertook the book line to do it. She became a canvasser for a very salable work, and made great success. The story is told of her, that while going through the San Joaquin valley, recently, she was riding by an open window. Just before reaching the spot in question, a hunter had shot a goose. The ball passed through the goose, penetrated a tree two feet thick, and just in time reached the train as it was passing by. It struck her on the cheek bone, bounded back, and killed a horse grazing in a pasture near by. The moral is a good one, and the story only tends to show what can be accomplished through a spirit of determination.

But even this lady's marked development of nerve is outdistanced in a case where a general agent recently received a letter from a local of another company, in which he begged to announce that he was sorry to return Mr. —'s policy for cancellation. The premium was \$360; and his letter read: "Please cancel the same. Return to me his notes, also a bill for the earned premium; then kindly send me the application and a copy of the diagram of this property. Thanking you very cordially in advance for your attention to this, believe me to remain."

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## APPROPRIATELY INSCRIBED TO THE YEAR OF 1893.

Little Jack Horner sat in the corner  
Thinking if profits were stringent;  
He called in his forces to foot up his losses.  
Good-bye to Jack Horner's contingent.

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## A SOUND COMPANY.

A lady, writing from Tacoma to a general manager here, complains that she was insured in the Tacoma Insurance Company of Tacoma, Washington. Says that she went into this because she thought it was controlled by good men, and she got a little lower rate, but winds up her letter by stating that hereafter she will not insure in *sound* companies.

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## WELL DONE.

He had just been appointed local agent, and the special had urged him to send in a risk, so as to show the company that he meant business. A few days thereafter an application reached the manager for \$200, "on a well twenty-five feet deep, \$75 on contents." The agent said that he did not know how to rate this, but thought 2 per cent. per annum ought to be sufficient, making the further inquiry if "the contents will rate higher."

## HORSE AND HORSE.

Have you seen him? Well, in description he stands about six feet, of figure in proportion, and with large, round, hazel eyes, an irregular moustache, wears a pompadour and has a laugh to enchant the Indians. He is a good fellow, bright, full of life and has devoted many years to insurance, but his adjustments were not always of the highest standard. His company resolved to try him again, and the previous criticism still lurked in his memory. He resolved to make his reputation. He thought that to create a salvage was the pinnacle of fame, and in view of what had been said to him before, he determined to rectify the errors of the past.

The loss occurred in a private stable in a Washington town. Apart from the building, which was insured in another company, there were many things of a personal character which his company had covered under its policy. "\$150 on horses, not over \$100 on each." There were items of hay, a buggy and some harness. The adjustment proceeded without interruption and *without salvage*, until he reached the item of horses. The man lost one horse and saved one. Here was the opportunity of his life; the dream of fame was about to be realized. He would now send a proof to the home office that would defy criticism and would prompt a letter from the manager couched in encomiums of the most glowing character.

Said the adjuster to the assured:

"You saved one horse, did you?"

"I did."

"What was the value of that horse, may I ask?" and drew himself back with an air of importance that can only be appreciated when seen.

"One hundred and twenty-five dollars I think a fair estimate of its value."

"Then you consider that you saved one horse worth \$125, do you?"

"I do."

"If such be the case your loss then is \$25, for we deduct the saved property and pay a loss on the difference. Your insurance was \$150, you saved \$125, that leaves \$25 to pay you."

The assured was spell-bound, but gathering himself together responded:

"But the policy says that the limit on horses shall be \$100."

"O no," responded the adjuster, "it says they shall not pay over \$100."

The assured looked puzzled, and then said he presumed that was right and according to the contract.

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EASY WORK, ADJUSTING.

This reminds me of a story told of a manager of an Iowa company, whose son was just budding forth as an insurance man. He walked into the office of his father's company one day, and said that he wished to discharge Phil. Jones and save that \$200 a month, because he could adjust the losses just as well. The father was somewhat skeptical, but resolved to test the son's ability and send him out with Mr. Jones to adjust the next loss.

It occurred a few days thereafter. This son, with the adjuster, visited the scene of the fire, and upon inquiry, the adjuster found that the policy had been voided by other insurance without permission, by the execution of a mortgage, by the erection of exposures of a hazardous character, and by a change of title. He consequently took the policy up and returned to the office. The son said he knew very well that adjusting was easy, and that after this he would attend to all those things himself. "I may," he added, "get the devil licked out of me, but I will guarantee to bring back a few policies any how."

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### AFTER THE FIRE.

A bright young special climbed on the veteran's knee,  
Begged for a story: "Do tell to me,  
Why are you sighing, why do you groan,  
Have you no hope left, why that deep moan?"  
"I once was cheerful, years, years ago,  
What, boy, has changed me, you will soon know;  
List to the story, and do not tire,  
I lost my faith in man,  
After the fire."

After the blaze is over,  
After the smoke is away,  
After the ashes are sifted,  
After we've all had to pay,  
Many a heart is aching,  
As the message goes by wire,  
Many contingents are scattered,  
After the fire.

"Once, in Montana, traveling up and down,  
I stopped at Butte—a rather rapid town;  
An expert was with me—some call him 'Bill';  
He and I together soon had our fill.  
There was a dry good stock;  
There was a liar;  
There was a smoke damage,  
After the fire."

After the flames are over,  
After the hose has burst,  
After the claim has swollen,  
After we all have cursed,  
Then the figures are twisted,  
Till we are in the mire—  
Seventy thousand they wanted!  
After the fire.



"Since then I've lost my faith,  
 Do you wonder why?  
 The loss was not five thousand,  
 So said Bill and I;  
 Every rusty piece of goods  
 That couldn't find a buyer,  
 Was put in as a total loss,  
 After the fire."

After the fire is over,  
 After the proofs are made,  
 After appraisement is ended,  
 After the damage is laid:  
 O, how companies suffer,  
 And how adjusters tire,  
 Of paying unholy loss claims,  
 After the fire.

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#### THE STANDARD, OF NEW YORK.

JAN. 8th, 1894.

Enclosed is your policy No. 123456, George A. Rodenuch. Return premium \$2.00.

We ought to have sent this a little sooner, but were delayed.

The company has made a pretty good thing out of this policy.

Rodenuch mailed it Oct. 7th, 1893, and addressed it to the "Standard Fire Insurance Co. of the State of New York," which legend (or something approximately near it), you will see appears on the top of your policy. Naturally it went astray and after many moons of wandering came back to me from "that bourne" whence no letters (as a rule) return—to wit, the dead letter office. Hence the profit to the company.

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"I want to be an expert,  
 And with the experts stand,  
 With my forehead full of figures,  
 And a ledger in my hand;  
 And when I've totaled up a loss,  
 With much of mental strain,  
 Someone will coolly rub it out  
 And get it awry again."

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The following quotation from Kingsley has been suggested as appropriate for the "proofs of loss" of the Merced Woolen Mills:

"So go the works of man,  
 Back to their earth again;  
 Ancient and holy things  
 Fade like a dream."

## WHEN THE "SPECIALS" COME HOME.

The old year is past and its duties are done ;  
 And now in my corner I sit in the sun,  
 And dream of the days when out on the road  
 I thought that I carried a wearying load—  
 When I wrestled with agents to get in our coin,  
 And ate as I could, whether chucksteak or loin.  
 Still, my burdens seem hard, though no longer I roam ;  
 But I'll lay them all down

When  
     The  
         Specials  
             Come  
                 Home.

They are coming from near ; they are coming from far,  
 And are sure to ride in on the best palace car.  
 There's a smile on each lip and a flash in each eye,  
 As if none among them could ever say die.  
 They tone up the office with cheer and with hope,  
 And talk in as certain a way as the Pope.  
 Their knowledge is gleaned from no musty old tome,  
 And we all learn more

When  
     The  
         Specials  
             Come  
                 Home.

And I hope, when a few more years have rolled by,  
 And I've solved the grim problem that all must try—  
 When the fever of living has burned out at last,  
 And my memory is but a dim dream of the past—  
 That perhaps in eternity's bright sunrise—  
 In the crystal depths of Paradise—  
 I shall see reflected in Heaven's clear dome  
 The shades of the specials

As  
     They  
         Come  
             Home.

P. S.—I'm a little uncertain about the general agents.

## HAD 'EM BAD.

The following letter was received at the office of a general agent in this city recently, and which we consider is worth while being filed with the "Knapsack:"

SAN FRANCISCO, Feb. 15, 1894.

*Mr. Badman, General Agent:*

DEAR SIR:—In reply to your favor of the 16th will say, that we will do our best to send you some good business in the near future, in fact the business has been awfully dull for some time on account of the money market. Parties who would like to insure have not got the ready cash to pay the premiums. Now, as to the policy of Mrs. Lulu, we are sorry to record the death of said party last evening at 11 o'clock with heart trouble. In the midst of life we are in death, and as we pass through the dark valley of death, we hear but the flutter of an angel's wings.

Yours very truly,

I happen to know the party who signed this letter, and for ten years he has enjoyed the reputation of being an "all round" terror.

EDITOR KNAPSACK.

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"THE WOMAN'S EXCHANGE."

A TRUE STORY.

In December last I was in Denver, the prettiest city of its size in the United States, and one having a much better climate than San Francisco.

During my stay there Henry J. Lufkin, our agent at Wagon Wheel Gap, Colo., came to town to spend some of his commissions, and, incidentally, called on me.

Mr. Lufkin is one of those genial, whole-souled gentlemen indigenous to Colorado; is popularly called "Hank," and is very fond of a practical joke.

After lunch one day Lufkin and I were taking a stroll through town and chanced to pass the Cumberland building on Stout street, on the first floor of which is the "Woman's Exchange," so called, consisting of a restaurant and a supply of fancy articles, embroidered penwipers, tidies, lamp mats, canned fruits, cocoanut cake, custard pies and other feminine products, all on sale for the benefit of their makers.

"Hank" gazed on the numerous signs on the outside of the building, setting forth in large letters the name of the association, "Woman's Exchange," and finally burst into laughter and said: "When I get home I'm going to spring a joke on a verdant friend of mine that I believe will prove a good one. If you get a letter from one James B. Ferguson referring to the 'Woman's Exchange' you will understand what prompted it."

A week later I received the following:

“WAGON WHEEL GAP, Colo., December 13, 1893.

“*Honored Sir*: Billy has just got back from Denver and tells me there’s a ‘Woman’s Exchange’ in your town, where one can exchange his wife for another woman, and I want to know if I can trade my wife, and how much it costs to do it.

“I have a wife, 31 years old, a blonde, good looker, good worker, and can play ‘After the Ball’ on the piano; but the altitude is too high for her, and, besides, this town is too slow for one of her gait. She wants to fly high, and if I can swap her off for some good girl about 18 years old I would like to do it, and my wife would like the scheme herself.

“If you can send a brunette that would like to come here and take her place I’ll pay her expenses and introduce her to the best society and make her life one of refined pleasure.

“Send me her photograph, and if it suits me I will go down and arrange for her legal transfer.

“Please answer by return mail.

“Respectfully,

“JAMES B. FERGUSON.

“P. S.—Maybe Bill is lying to me, and if so, let me know, and I will fix him so he will lie under the daisies before spring.”

I was afraid to reply, and to this day don’t know whether Mr. Ferguson succeeded in making the desired trade.

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### AN UNPRECEDENTED SALVAGE.

A special agent, while in Utah recently, had occasion to adjust a loss on a barn and the contents, including some horses, the latter being insured for \$100 per head, some three years previous. Owing to the considerable fall in the value of live stock, the adjuster made an offer to the assured of \$40 per head. After some little controversy, the figures were accepted and the adjustment closed. The next day, returning to Salt Lake, the special in question observed a notice in the daily paper to the effect that an auction sale of horses would take place on the following day. To acquaint himself with the relative market value of these animals, he decided to attend the sale. He did so, and was surprised and even chagrined to observe that out of eighty animals, one of them brought \$10, the remaining number from \$1.75 to \$2 apiece. He did not sleep well that night, realizing how inefficiently he had served his company in the adjustment of the day previous. However, relying upon the adage of “everything comes to him who waits,” he took note of this fact. Within a week a similar loss took place and he was wired to adjust. Upon examining the daily report found that the policy covered \$1,500 on the barn and the contents, \$600 of which was placed on six head of horses, with a loss limit of \$100. Here was his chance. It was an excellent opportunity to make a record for himself, and he forthwith went to the auctioneer who had sold the animals, obtaining from him a certified copy of the sale and the prices obtained, and, so as to fortify himself doubly,



obtained the additional signature of the local agents, that this was true, and that same could be replaced for that figure. His face beamed with smiles as he soliloquized, "While it is possible that the entire six horses are burned, it is more than probable that one or two of them have been saved. My salvage will be unexampled in the history of adjustment." He got on the train, arrived at his destination, engaged a team and drove to the scene of the fire. The barn and contents were a total loss, the horses were saved.

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## FIRST CHRONICLES: CHAPTER II.

Now, the elders of Israel were wont to send out certain men, whom they did call specials, to go into the land of the Philistines and to seek out from among them men of good report and honest, who should be agents for them and who should seek to secure for them business among the people of the land. And the number of these specials was great and they did overrun the land of the Philistines, even the remotest corners thereof, so that there was no place where they might not be found therein. Now, in the second week of the second month there was held a feast in the great city of the elders, and many, both of the elders and the specials, were wont to assemble thereat, and when they had well eaten, the elders would rise and say unto the specials, "Are not ye they who have brought us in much business and ye have done great things for us which have made our hearts glad and without you our efforts had been in vain. Wherefore we do greatly rejoice this day and especially that we have found in you such faithful servants." And when the specials heard these words they were exceeding glad, and they said to one another, "Surely these are good words and true, and were it not for us these elders would come to naught," for they did believe the words which the elders did speak.

And it came to pass that after awhile the elders did assemble themselves together and did cause an edict to be made that the Philistines should no longer delay in the payment of such moneys as had been agreed by them (for it had been the custom of certain of the elders to permit long delay in the payments, insomuch that there was trouble even in obtaining that which was their due), but that they must pay what they owed.

Now, after the feast, when the specials did go out again among the Philistines, these did say among themselves, "Are not these they who did speak fair unto us and did make promises unto us: Go to now, let us fall upon them and smite them, so that they shall perish from the face of the earth, for we will have no more of them." And they did according as they had said and fell upon them and smote them hip and thigh, so that there remained not one of them. And it came to pass that the elders met and were exceedingly sad and of a mournful countenance, but one of them arose and said, "Why do ye thus mourn and bewail? Have ye not heard the old saying that the fish which remain in the sea are as good as those that have been caught? Now, therefore, let us send out yet others among these Philistines." And the elders did rejoice at these words and they sent out yet

others to take the places of them which had been slain. And it fell not out as they which had been slain had said, for the sun stood not still, neither did the moon stay its course, but the elders forgot the names of the slain, yea, even that they had been.

### A COLORADO ADJUSTMENT.

Up to the time of the fire, I thought Isidor was square. He was a Jew, and his ancestors lived in Poland, but his credit was high at the banks. He paid good wages, and made the usual hundred per cent. on cheap goods, and from twenty-five to fifty per cent. on the highest grades. He kept all of the Hebrew holidays, but stood in with the Christians, and was considered a superior specimen of his race. When it came to a question of street car fare or postage stamps, he was as close as some Eastern men; but I did think he had too much business sense to match his wits against a Yankee. Still, you never can tell.

The firm name was Wilzinski & Rosenstein. Its members were Isidor Wilzinski and Moritz Rosenstein, the latter having a quarter interest and little to say in the management. I kept the books and occasionally acted as salesman. Their main store was at Pueblo, occupying the basement and first and second floors of the Kirtland Block, on Santa Fe avenue, where they carried a stock of clothing, averaging from \$20,000 to \$30,000. They were sole agents for the Stetson hats; E. & W. collars and cuffs; Douglas three-dollar shoes, and Jaeger underwear; were rated "B 2" by Bradstreet, and were supposed to be doing a profitable trade. They, also, had branch stores at Canon City and Cripple Creek.

Pueblo had never been so dull. The Bessemer rolling mills had been shut down several months; the Mesa Hotel had just burned; the Grand Hotel had been closed for a year, and "the Pittsburg of Colorado" looked like San Diego after the boom. Our business had fallen off one-half; collections were almost impossible; creditors were pressing, and ruin seemed near at hand.

The firm had been carrying \$19,000 on stock. The policies all expired on October 1. On September 15 we completed an inventory, showing a stock value of \$20,583.37. Isidor kept the inventory, and made no record of it on the books. Our policies had the usual broad permit: "Other concurrent insurance herewith permitted." On renewal, the insurance was increased to \$29,000.

About ten o'clock on Sunday evening, October 15, the alarm sounded, and a dense volume of smoke was seen pouring from the basement of our store. The Pueblo fire department is a good one; the firemen made a lightning hitch and run; threw two streams in the basement, and had the fire put out within seven minutes after the alarm.

Monday morning the firm notified the local agents that they had sustained a heavy loss, and asked for an immediate adjustment. The companies were advised of the claim, and on the Wednesday following four adjusters arrived from Denver. They examined the stock; looked wise,

said little, smoked good cigars, and told several stories that were entirely new to me, but did nothing definite toward a settlement. On the afternoon of the second day after their arrival Isidor grew uneasy.

"How soon will you get this fixed?" he asked. "We want to clean up and open the store. Our expenses are going on, and we are losing fifty dollars a day, easy."

The adjusters laughed, and lighted fresh cigars, and resumed their anecdotes. Isidor was getting mad. Just then there was a light rap on the front door, which had been tightly closed. Isidor opened it, and in stepped a quiet looking man, who said, with a pleasant smile:

"Is this Mr. Wilzinski?"

"What's left of him," growled Isidor. "Who are you?"

"My name is Bird," said the new comer, handing him a card reading as follows:

. . . . .  
A. BIRD.  
Adjuster of Fire Losses,  
1561 Curtis Street,  
Denver.  
. . . . .

"I represent thirteen thousand of your insurance. Is there any damage?"

"Is there any damage?" repeated Isidor; "there's fourteen thousand five hundred. At any rate, that's what we first claimed, but the stock's looking worse and worse, and I wouldn't be surprised if we lost twenty thousand."

"May I trouble you to show me your policies?" asked the adjuster.

"Certainly, Mr. Bird," said Isidor, "no trouble at all."

After closely examining the policies, the adjuster inquired:

"Where did the fire start?"

"In the basement," said Isidor,—adding quickly, "that is, we think so."

"Let me see the basement, please," asked Bird.

"Why there's nothing there," said Isidor, changing color a little. "We didn't keep any stock there; there's nothing but old boxes and rubbish."

"I'm not particular about going down, myself," answered Bird, in a very smooth, pleasant way—"in fact, it isn't really necessary, but you know the rules of the companies, Mr. Wilzinski; they expect us to go all through a building. There's no sense in it, but I'll just look down for a minute and let it go at that."

They went down. Bird looked carelessly around and remarked: "There's quite a strong smell of coal oil."

"We filled our lamps down here," said Isidor.

After returning up-stairs and looking carefully through the stock, Bird consulted with the other adjusters for a few minutes, during which recess Isidor and his partner had a quiet conversation in the office, of which I caught the words: "Raise him to twenty thousand, Isidor; he'll stand it."

Bird then came forward and said: "The other adjusters have authorized me to act for them. Is that agreeable to you?"

"Yes," said Isador, "perfectly. I'd rather have it that way. When I first saw you, I said to myself, 'there's a fair, square man, who knows his business.'"

"All right," said Bird, "it won't take five minutes to settle it. Do I understand you to say that you claim a loss under the policies, and, if so, in what amount?"

Isador rubbed his hands, and said, "Mr. Bird, we've lost twenty thousand, if we've lost a dollar; but I don't want to be hard on the companies. I'll say sixteen thousand, and we'll never take a cent less."

Bird laughed. He had such a genial, pleasant way with him that, by this time, Isidor, Moritz, the other adjusters and myself had clustered around as if we were drawn to him something like iron filings to a magnet.

"Where is the loss?" he asked.

"Where?" shrieked Isador. "Everywhere!"

"Were any of the goods burned, Isador?" asked Bird, in a rich, mellow tone, and added: "You'll excuse my familiar way of talking; I'm from Connecticut, you know."

"That's right," was the reply, "call me Isidor. None of the goods were burned; but look at the smoke! the stock is ruined."

"By the way," asked Bird, "do you use gas for lighting the store?"

"Nothing but gas," said Isidor.

Bird smiled, and what a pleasant smile he had.

"Are the goods blackened or discolored?" asked the adjuster.

"Not yet," said Isidor; "it's the odor—the smell of smoke all through everything. We can't sell the goods for ten cents on the dollar."

"What's the value of your stock?" asked Bird.

"About forty thousand. We carry a big stock of the finest kind of goods," replied Isidor.

"Then the damage you claim is a smoke damage?" asked the adjuster.

"Yes!" said Isidor, "It's a smoke damage; they all say that's the worst kind of damage to clothing."

"A damage from the odor; from the smell of smoke only?" asked Bird.

"Yes, that's it; the goods are saturated with it."

"Did you open the store and let the smoke out, after the fire?" said the adjuster.

"No," said Isidor.

"Did you put the goods in the best possible condition, as required by the policies?"

"We were afraid to touch them," said Isidor.

"Is there anything in the policies requiring us to pay anything because there has been the smell of smoke in the store?" asked Bird.

"Isn't there?" said Isidor.

"No," answered Bird, "there is not; there is no liability whatever."

"And don't we get anything?" said Isidor, turning pale and trembling.

"Nothing from us," said the adjuster, mildly and soothingly, "not one dollar."

"We'll sue the companies!" shouted Isidor.



"Listen to me," said Bird; "you don't understand your own case. This is the way it is: You claim a \$40,000 stock; you have about \$20,000. You are entitled to about \$15,000 insurance on your present stock; you have \$29,000. The fire was started in two places in the basement, Sunday night, and coal oil was freely used. Your lights are gas; you don't use coal oil lamps. Now, I'll say nothing more on those points. Next comes the question of smoke damage. You claim a damage from the smell of smoke only. A little smoke benefits clothing, and will kill the larvae of moths, every time. Open your doors, and in three hours the odor will disappear. Now is the opportunity of your life. Advertise a fire sale; throw open the store, and in the next two weeks you will sell two-thirds of your stock at a big profit. I'll tell you how to do it. Get signs painted on cloth"—

"They're all ready," interrupted Isidor, with a sheepish smile, as he went in the office and brought out several bolts of sheeting and unrolled them, on which were painted, in large red letters:

.....  
 . "GREAT FIRE SALE!" .  
 . THE INSURANCE COMPANIES HAVE SETTLED!!" .  
 . IT IS THEIR LOSS, NOT OURS!! .  
 . THE ENTIRE STOCK FOR SALE .  
 . AT TWENTY CENTS ON THE DOLLAR!!! .  
 . . . . .

"That's the idea," said Bird. "Your fortune's made. Now, how about our expenses?"

"What!" said Isidor.

"You claimed a loss when there was none, and we could hold you for our expenses, but let it go Isidor, let it go. Come out and set up the cigars for the crowd, and we'll call it square."

And Isidor did.

The "great fire sale" began next day, and in three weeks the bulk of the stock was sold at a large profit. The firm paid their debts; banked the surplus, and to-day are doing the largest clothing business in Pueblo.

Moritz asked Isidor why he didn't hold out for the amount of his claim, and why he backed down so quickly. Isidor answered: "Moritz, that adjuster was born in Connecticut; he was on to the coal oil, and the policies don't say anything about the smell of smoke!"

"Isidor," said Moritz, "you vos yoost right."

#### ON HER SURROUNDINGS.

W. B. French, the veteran adjuster and flour mill expert of Chicago, tells the following:

"The loss occurred at Joliet, under a 'Continental' policy. The assured was a woman, and the policy read:

'\$1,000 on her two-story frame residence; and \$200 on her surroundings.'

I settled on the building, and then asked:

'Madam, what are your surroundings?'

'What did you say, sir?'

'Your surroundings, madam, what are they?'

'What do you mean, sir? They are quite as good as yours, I think.'

'No offense, madam; please read your policy.'

She did so, and then said:

'Excuse me; I didn't notice the wording. Well, sir, what are my surroundings?' she asked with a smile.

I replied: 'Ordinarily, I would define a woman's 'surroundings' as her wearing apparel.'

'What I thought I was insuring,' she answered, 'was against loss on the trees and shrubbery surrounding my residence.'

'All right,' I said, and allowed her fifty dollars damage on the shrubbery and trees.

It was the only case of the kind I ever had, but I think I make a common sense adjustment."

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#### A DREAM.

By request I have had a dream. My dreams at this time are extra dry, with the least little drop of angostura and a bit of lemon peel added; but they are quite as acceptable to me as of yore, and do not leave that "tired feeling" spoken of so tenderly by Doctor Watt in the lines commencing:

Oh! Lord! how weak am I."

I was thinking of this and congratulating myself that age had its compensation; for what I held was dissipation in my youth I now find to be a simple tonic, prescribed by the most distinguished physician my purse can supply. I was thinking of this, I say, when who should walk through the door but my good friend Al Snyder.

"Why! dear old man," I cried, "welcome! draw up to the grate. Excuse me for not recognizing your knock. Fact is, Al, I am getting old; these white hairs are not like the black locks of 1891; eh, old boy? These store teeth look well, but, although I have worn them now some twenty years, and have paid for set after set, the artificial things don't fit, and I don't believe they ever will. Glad to see you. Now I have my specks on I can see you quite plainly, although, between you and me, I hate to admit that the oculist has measured my eyes for the last time. He says I have the strongest glasses there are in the shop. I knew you when you came through, somehow, without their use. You are looking first-rate—good color, fresh and clear complexion, and, as I live, you are getting fat! Well, well, who ever expected to see you fat? Ha, ha, ha.

"B-u-r-r! how cold it has grown. Mend the fire, like a good friend, will you? and toss that rug over my knees. If my legs were not so bad with rheumatism, old partner, I would bring the decanter from the corner cupboard myself. Thanks. Will I allow you? Of course. I was just about to ask for a brew, such as we had after the big fire at Eureka, Nevada.

"Ah! what a delightful time it was. All the boys were there, and how they did work, getting up early every morning, digging for dear life among books of account, fighting like mad with every honest claimant, and having a smooth and easy time with every scamp, only to find out later that the scamp got away with the money. But after 9 o'clock P. M. it was playtime. Let me see, what was the name of that good fellow who sang such lovely songs after 9 o'clock? Dear, good fellow he was, and he did sing divinely, but my memory is so bad I can hardly recall his name. He sang one jolly song I appreciated. The words were something like this:

"He took a line  
On a mansion fine,  
In a free and a regular way;  
And the premium he,  
With a policy fee,  
Collected the self-same day.  
A draft was brought  
And with the report  
It went to the office straight;  
But the manager sneered  
At what appeared  
An incendiary's bait.

Chorus:

If you want to make your mark, dear boys, don't be in a hurry;  
Delay reports, remittance hold, and let the office worry.'

"And do you recall that mischievous chap who came in by stage one night—he and a lady passenger. The rooms were all taken, so he worked Arthur Phipps to give up his bed to the lady, and while he kept the lady company Arthur got his sleep in a chair. Oh! he was a rogue. But Arthur had the laugh on him later, I am told.

"That story brings to mind another. I was at Boise in a hotel crammed with guests, when along came Jimmie Free, and not a bed to be had. Jim sized up the fellow who had the second bed in my room—a fresh young fellow, who came as a delegate to some ancient order of something or other—and he worked him beautifully. Asked to let him know *at once* when I created a disturbance during the night. Said I was mad as a March hare, but harmless; that is, as a rule, although I had been known to do mischief. Well, Jim got the bed, and the young fellow made other arrangements. Then we rigged a tic-tac on the window and scared our Cornish friend out of his bed and down the cold stairs in his nighty.

"But, dear me; excuse me for this digression. I am inclined to be so garrulous in these days; if I bore you, please stop me.

"The water is hot, so mix the toddy, my boy, and we will drink to the days gone by. What is that you have in the little vial? an elixir of youth and a secret compound of your own? Well, put some in; I can drink anything in these days. Thanks. That is awfully good and goes to the right spot. Why, how warm and glowing I feel already, and my sight never was so good. I can really see the application of the Kinne rule quite plainly.

Wonderful! And I can hear better than ever I did. I can hear rates dropping way up in Oregon, and in the distance I detect the sound of the return wave of business prosperity. See, I am on my feet and can stand firm and erect. If this is the result of your elixir, mix again and I will keep a-stepping till the end of time. My sense of smell is wonderfully acute, too, for I can detect the odor of sanctity from certain offices away down on California street. It smells like *something burning*."

"And well it may smell like something burning," said my mother-in-law, "for you have put your lighted cigar on the table cloth."

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### A STORY.

This is a true story of a true special. His greatest ambition was not the attainment of high art in adjustment, but to see how deferential he could be in the presence of the fair sex.

He was adjusting a loss in the San Joaquin valley and had a severe struggle with the old man, and made a salvage possibly larger than it should have been. About this time he was introduced to the old man's pretty daughter. She came, she saw, she conquered.

The adjuster sent the old man to the notary public to swear to his claim, and the following conversation took place between the adjuster and the daughter:

"You say you have just returned from abroad. How I should like to have been there; and where did you visit, may I ask?"

"Our travels were confined principally to Ireland," she responded, rather naively.

"Did you see the Blarney Stone?" he queried.

"Oh, yes," was her quick response.

Whereupon he commenced a most eloquent dissertation upon that most famous object, and said that in view of his being unable to kiss that stone himself he wished to do so by proxy, at the same time offering to embrace her. She drew back with astonishment, but with a winking eye that betokened intelligence, replied:

"Sir, I did not kiss it; I simply sat on it."

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### A VOICE FROM THE RANKS.

#### CHAPTER II.

Some years ago it fell to my lot to contribute to the "Knapsack" a brief note on the impressions formed and the experiences met with during the first year or two of my career as "city outside man" in one of our insurance offices. I certainly did think that this literary effort would have settled all future aspirations in the same direction, but lapse of time has apparently healed the wound, and the patient, long-suffering, forgiving editor of this periodical has requested "more copy."



Perhaps (happy thought, or, rather, unhappy thought), perhaps the editor is given to requesting contributions from his prosiest writers in order that his own interesting articles, betwixt and between which they are most ingeniously sandwiched, may seem all the brighter by the comparison. (N. B.—I must look into this.)

The life of a "city outside man" is not an altogether dreary round of repetitions, like an expiration book. Stay, I must correct that simile. The expiration book now a-days is far from being a "dreary round of repetitions." I wish it were.

Where are now the happy risklets  
That each year brought back to me?  
Gone, alas! where trade is brisk—that's  
In the other fellow's book, you see.

To be sure the main portion of one's work exhibits a rather painful monotony. It is always, in each case, the same round of repeated visits to find the man, who when found has to confer with his wife (or, frequently, his wife's mother), and who when that trial is over, and after consultation with half the neighborhood, finally, we will say, decides to give you the renewal. All this has consumed time, and car fares, and sometimes even several "long bits" for cigars and lemonade; but now the city outside man, with an elasticity of spirit that knows no weakening, and a confidence in human nature that will not down, returns joyously to the office with the renewal order in his pocket, and in his mind the blissful belief that all the trouble and anxiety in regard to this particular risk is over for another year.

And yet he, miserable being, knows full well that the "office man" will not check that rate for him until the typewriter girl has finished telling all about last night's surprise party; and that the policy-writer will in cold blood place that application *underneath* a batch of seventy-five others, and that it will not move his stony heart to tell him you must deliver that policy by the same evening or lose the risk; and that the manager—well, no human agency may divine just how the manager will view that risk by the time it reaches *his* desk. It depends somewhat upon the contents of the latest telegram from Seattle, somewhat upon the position of last night's crab salad, and not a little upon the amount of green paint daubed over the map.

Let us suppose the policy signed, stamped and delivered; and the outside man's agony is now nearly over. It used to be a serious problem whether the premium could be collected before the policy expired, but that is now all a thing of the past. Nobody dreams of letting a bill run over thirty days from the first day of the month following that in which the policy is written. Nobody!!

This is the invariable routine, and it certainly would present a dreary monotony were it not for the different characters encountered during the work. The "assured," in San Francisco, is a personage of such complexity that age cannot wither nor custom stale his infinite variety.

There is, for example, the nice old gentleman, who motions you to a seat, adjusts his gold-rimmed eyeglasses, and then calmly and deliberately proceeds to unfold the policy and read through the written and printed portions from "In consideration of" down to the last condition of the New York Standard Form. One of them does this with me regularly every year and I can't stop him. He always winds up by saying that no sane man could read all that through and suppose for an instant that he'd ever get anything in case of a fire; then he ponders a few moments, then pays the premium, and I quietly make my escape.

Then there is the old lady who can't speak a word of English, but each year puts the surveyor through his few halting Parisian phrases, and receives them with as much animation and gratified expression as though they were new and brilliant sayings. The old lady, for three weeks before the time, invariably has the premium, down to the exact five-cent piece, all done up in a knitted stocking awaiting the surveyor's advent. Poor old soul—she has seen many generations of city outside men call annually, at successive periods, to bring her the renewal policy, and she reads them all (through her grandchild, as interpreter) with the most lively interest; but now the honest old eyes are growing dimmer year by year; one has to shout "bon jour" more loudly at each visit, and the poor old feeble frame hobbles with increased difficulty from room to room. I hope she will still be at the door next year—God bless her—for I am afraid the old house would look very tumble-down and the furniture appear very worn and worthless indeed if that good old soul were not there to make them seem valuable, and the office and I would have our first serious row if any of Tiffany's depreciations are used on *her* loss.

What a change with the next picture; for, as fortune has it, the two expirations came around together. Here I enter a richly upholstered parlor which seems to have been furnished without regard to expense, and yet there something is lacking, although you cannot tell just what it is. The curtains are "real lace," but a well-marked reminiscence of cigarette smoke infests them. When, after a pause, the "lady" of the house herself appears, slipshod and slovenly dressed, you wonder involuntarily to think how just such a room (in your younger days, of course) appeared so brilliant, and how just such women in full war-paint and bediamond liberally could have been so attractive.

The madame does not pay her premium on delivery of the goods. She makes it the occasion for at least a couple of visits to the office, each time attended by a bevy of her most attractive maidens, who never fail to make an unmistakable impression on all the boys.—No, I won't tell you where the house is.

There is one man I know who buries his policies in a tin box out in the back yard, and you cannot produce statements so strong as will induce him to place more than \$500 in any one company, home or foreign. A woman nearly always keeps her policy in a bureau drawer, where you and I couldn't find it in a year, but from which she produces it immediately upon demand.

The "outside man" in a very few years learns a great deal about human nature; sometimes, in a great many years, he may learn something of insurance. At least, that is an impression I gathered not long ago in the course of a few moments' conversation with the manager. I walked into his office and said, "Well, sir, it is exactly five years ago to-day since I entered your office for the first time and commenced work." "That so?" was the reply; "Great Scott! how time does fly; well" (this with a chuckle, expressive of the most intense satisfaction) "well, so it is, and you don't know a damned thing more about the business now than you did then." After this the only anniversaries I intend to call to his mind are Christmas time and the summer vacation.

VIATOR.

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### THE NEW AGENT AT HANGING ROCK.

There was a vein of originality about our new agent at Hanging Rock, Colorado, that led us to hope that he would pan out the pure metal, with only a trace, here and there, of lead and copper, but the final assays were disappointing.

When he agreed to act for us, he said: "I don't know much about insurance, but I'm a hustler and willing to learn." That sounded encouraging, and I began to read to him our prohibited list, beginning with "auction stock" and ending with "zinc factories," calling special attention to the combustibility of "hay barns," "Chinese laundries" and "powder magazines"; ringing the alarm on "cigars and tobacco"; calling in the patrol on "lithographic stones" and sounding the police whistle on "wall paper and paint stock."

He interrupted me with the remark: "I can't remember all of those. All I want is to know the risks you *can* take, for after I write a policy, I never will cancel."

I gave him the desired information; cautioned him about limits, moral hazard and prompt remittances, and took the morning stage for Gunnison.

His first letter, received some two week later, said:

"I'm working up a big business on a new plan. You will be surprised when you learn how simple and easy it is. I'm careful about getting an Ar moral hazard and no excess lines. Yesterday, Bill Brown wrote up a policy of \$2,500 on the furniture and fixtures and everything in the house, situate in the 'Miners' Home,' a first-rate, third-class, wooden hotel, with stove-pipe flues, ten miles from here, at the crossing of Rattlesnake Gulch and Mesquit Creek. The whole outfit isn't worth six hundred, but Bill is a dead shot, and said if the policy didn't stick, he'd cancel me at short range with a Winchester, and wipe out the agency; so I reinsured \$2,475, with the other agent, keeping \$25 for us, covering on the cook stove, with patent water back. If she burns, as I think she will, we'll have a salvage, sure."

During the next six months, he sent in nineteen curiously worded reports, with the numbers badly mixed.

We supplied him with fifty policies, numbered from ten thousand five hundred and one to ten thousand five hundred and fifty. None of the num-

bers of his reports were consecutive. In answer to queries, he merely said: "That's my new system aworkin.'" Finally, I made a special trip from Denver to Hanging Rock, and asked an explanation.

"This system is simple and effective," said he. "I thought it out myself, and it's a daisy. Of course, I don't know anything about policy writing, and the man who wants to insure knows what he wants better than I can tell him; so I signed all of the policies and distributed them around town, among the business men, and asked them, whenever they got ready to insure, to fill out the policies themselves and let *me* know. Then I let *you* know, and that's the reason the numbers don't run regular. If number forty-nine writes up his policy before number nineteen, I send the report right in. In time, the numbers will check up all right, but it may take a year before they all fit in. How do you like the system, isn't it neat? It suits our people exactly."

I stayed a week; got in all of our policies, except Bill Brown's, and took up the agency.

It was a needed lesson, and I profited by it.

## THE ANNUAL BANQUET.

One of the pleasantest dinners given by the Association was that at the close of the eighteenth annual session, Wednesday evening, February 21, 1894, at "Maison Riche."

The dinner was under the management of the time-honored committee, Mr. George W. Spencer and Mr. George F. Grant, who have become famous for, among many other accomplishments, arranging delightful dinner occasions.

The menu was as follows:

*Sauterne.*

Eastern Oysters:  
Hors D'Ouvres.

Olives.

Caviar.

Anchovies.

Soup:

Green Turtle, clear.

Fish:

Striped Bass, Hollandaise.

Entrees:

*Claret.*

Filet de Boeuf, pique, fresh Mushrooms.  
Ris de Veau, a la Pompadour.



Vegetables:  
Asperges, Hollandaise.

Roman Punch.

Roast:  
Canvasback Duck.  
Salad.

Entremet:  
Ice Cream, in moulds.

Dessert:  
Fruits. Gateaux Fromage.

Cafe Noir.

Seated about the board were the following members and guests:

D. J. Staples,  
Wm. J. Dutton,  
G. H. Mendell,  
R. D. Hunter,  
T. C. Van Ness,  
Louis Weinman,  
R. P. Fabj,  
Frank G. White,  
B. Faymonville,  
Frank A. Thompson,  
H. S. Watson,  
J. W. G. Cofran,  
Charles M. Keep,  
H. W. Wright,  
A. G. Dugan,  
Amos F. Sewell,  
George F. Grant,  
J. D. Maxwell,  
Charles T. Parker,  
Charles R. Story,  
C. Mason Kinne,  
R. G. Brush,  
E. W. Carpenter,  
W. H. Hill,  
John Scott Wilson,  
Geo. D. Dornin,  
N. T. James,  
W. S. Duval,  
Rolla V. Watt,  
Charles B. Hill,  
L. F. Lamping,  
W. B. Hopkins,  
George F. Ashton,

J. H. McKowen,  
Franklin Bangs,  
M. J. Green,  
A. Wenzelburger,  
James H. De Veuve,  
F. B. Kellam,  
J. L. Fuller,  
J. M. Shawhan,  
Charles Dickman,  
Frank Thompson,  
S. D. Ives,  
G. W. Spencer,  
F. G. Argall,  
H. Danker,  
V. Carus Driffeld,  
W. J. Clemens,  
B. D. Smalley,  
E. L. Thompson,  
A. W. Thornton,  
Geo. C. Boardman,  
J. M. Beck,  
J. D. Bradford,  
Arthur M. Brown,  
Russell W. Osborn,  
Wm. H. Gibbons,  
Tudor Tiedmann,  
Homer A. Craig,  
Sidney H. Smith,  
Volney Howard,  
William Sexton,  
P. Outcalt,  
H. M. Grant,  
J. M. Harcourt,

William H. Friend,  
W. H. Lowden,  
E. B. Farnsworth,  
W. C. Wooley,  
A. J. Wetzlar,

Franz Jacoby,  
J. H. Morrow,  
W. J. Callingham,  
Frank M. Avery,  
John G. Conrad,

P. G. Voss.

The tables were beautifully decorated with smilax and cut flowers. The banquet hall itself is very pretty, and when the guests were seated the scene was very pleasing and animated.

Mr. Stephen D. Ives, the retiring President, occupied the post of honor. At his left was Mr. H. M. Grant, last Past-President, and at his right, Mr. Rolla V. Watt, the President-elect for the coming year.

When coffee and cigars were reached President Ives arose and appropriately referred to these, the closing acts of his administration, wishing the Association continued success and usefulness. He called upon the President-elect, Mr. Rolla V. Watt, who thanked the Association for the honor conferred, spoke strongly of the benefits of the organization and hopefully of its possibilities in the future. Mr. Watt stated that he had enjoyed the personal acquaintance of all of the Past-Presidents of the Association, with the exception of Mr. B. F. Low, the first President. He spoke feelingly of Mr. C. T. Hopkins, Mr. A. P. Flint, Mr. Z. P. Clark and Mr. J. W. Staples, all Past-Presidents who have passed over the river, and then called attention to the fact that of the thirteen living Past-Presidents ten were present at the banquet.

No toasts or set speeches had been arranged for, but Chairman Ives informally called upon and received responses from the following gentlemen in the course of the evening: V. Carus Driffield, D. J. Staples, T. C. Van Ness, H. M. Grant, T. J. McCarthy, George Grant and John Scott Wilson.

The speeches were interspersed with sweet music by a quartett composed of Messrs. Frank Thompson, W. B. Hopkins, J. M. Shawhan, Chas. Dickman. Also solos by Mr. Dickman and Mr. W. J. Callingham. As in years gone by, our old friend and fellow-member, Mr. E. W. Carpenter, presented another topical song, which, in the language of Farmer Stebbins, "We will paste in right here":

## SUCH A NICE MAN, TOO.

From social point of view we look  
 Upon our fellows, kindly,  
 And to their business vagaries,  
 Close friendship's optics, blindly;  
 A "manager" we may detest,  
 Whose ways are dark and dreary,  
 Yet for the "man" have friendly thoughts,  
 He's socially so cheery.

CHORUS (*Slow march time*):

Such a nice man, too, such a real nice man,  
 So affable and full of information,  
 All who know him, must admit,  
 He's a man of brains and wit,  
 And a gentleman of spotless reputation.

He says he won't, and yet he will,  
 Give rebate should he like to,  
 Excess commissions also pay,  
 Through tricks *ad infinito*.

When losses come he stands aloof,  
 Lets others work and worry,  
 But, figures made, to favor gain,  
 Pays claimants in a hurry.

"There's naught in this great world," he boasts,  
 "Shall stop me from succeeding,  
 I'll make just ev'ry scoop I can,  
 Repressing conscience-pleading;  
 Thus while the honest dolts plod on,  
 I'll soon become real wealthy,  
 Then quick retire from the 'Cosmos Fire,'  
 With a gold reserve quite healthy."

And so the choicest gilt-edged risks,  
 Come crowding to his door,  
 His prem'ums mounting higher up,  
 His morals tumbling lower,  
 His loss ratio quite modest is,  
 His adjustments are made gratis,  
 He taps his massive brow and says,  
 "What brain as this one great is?"

But the "Eternal Fire" (*perpetual plan*)  
 Does business somewhat later,  
 It's "always low as the lowest" bait,  
 Will "scoop" in our rebater.  
 Then sizzling there, his sulphured thoughts,  
 Revert to cooler creatures,  
 To the snow-made image of boyhood days,  
 With frosty, frigid feature.

That image clothed in coat of sleet,  
 Till ice it all seemed to be,  
 Like all creation he'd like to change,  
 With that creation, may be;  
 But he's struck a special hazard hot,  
*Sans* sprinklers automatic,  
 A "fire"-man's lot he'd gladly change  
 For an ice man, more phlegmatic.

CHORUS:

Yes, an ice man, true, just a *real* nice man,  
 A triumphant work of childish refrigeration,  
 Though with sightless snow-ball eye,  
 And a mouth that couldn't lie,  
 Yet better far than sin's incineration.

At midnight "Auld Lang Syne" was sung. President Ives relinquished the post of honor to Mr. W. J. Callingham, who conducted the closing hours of the dinner.

The eighteenth annual meeting then adjourned.

## MATTERS OF INTEREST DURING THE YEAR.

### BUILDERS' CONTRACTS.

*To the Officers and Members of the Fire Insurance Association of the Pacific:*

GENTLEMEN—Your committee appointed to investigate the conditions of Builders' Contracts in regard to liability of insurance companies in event of fire, find:

"That in the general contract in use by builders in the city of San Francisco, the relative interests of owners and contractors in buildings in course of construction are not clearly defined."

Your committee therefore recommends that the Builders' Association of the City of San Francisco be requested to add the following clause to their contract, viz.:

"The owner shall not be liable or responsible for any accident, loss or damage happening or occurring to the works specified in the within contract prior to the completion and final acceptance of the same, with the exception of loss or damage by fire or earthquake, in which event he shall be liable with the contractor in such proportion as the owner's payments shall bear to the excess value of materials and labor yet unpaid to the contractor."

Respectfully submitted,

C. MASON KINNE,  
 BERNARD FAYMONVILLE,  
 A. J. WETZLAR,

Committee.

San Francisco, June 18th, 1893.



**CHAS. W. DOHRMANN.**

Whereas: In the providence of God, we are called upon to recognize with deep sorrow, the removal from our midst of our former associate, Chas. W. Dohrmann.

*Resolved:* That in his decease we realize the loss of a friend whose hand and heart were always on the friendly side; who believed in human sympathy and practiced it; whose tireless energy and loyalty to his convictions were subjects of respectful recognition. His impulsive generosity, his tender sensibility, his joyousness and geniality, lasting through his long wearing illness to the day of his demise, will ever keep his memory fresh in our hearts.

*Resolved:* That to his afflicted wife and family we offer our heartfelt sympathy in this hour of trial; and that these resolutions be placed upon our minutes, and that a copy, suitably engrossed, be sent to the family of our departed and lamented brother.

JOHN SCOTT WILSON,

V. CARUS DRIFFIELD,

B. J. SMITH,

Committee.

**HERBERT L. LOW.**

The Association having by the death of Herbert L. Low, lost one of its most valued members, hereby gives expression to the esteem which it felt for him and to the sorrow occasioned by his departure.

His reputation as one who was loyal to his friends and just in his dealings with all men, whose abilities were exceptional and whose companionship was a blessing, preceded him from the East, and it is a source of profound regret that his days upon the Pacific Coast should have been cut short just as he was reaching the prime of life, and before lapse of time had permitted to his associates a full enjoyment of that acquaintance which scant opportunity had taught them to so highly appreciate.

In extending its sympathies to the bereaved son, the Association commends the noble example of the father.

E. W. CARPENTER,

J. N. REYNOLDS,

GEO. E. BUTLER,

Committee.

**ISAAC MANHEIM.**

The committee appointed to draft a memorial upon the death of our lately deceased member, Isaac Manheim, beg to submit the following:

*Resolved:* That in the death of this well known and highly respected gentleman, the Association has lost a member who, whilst he may not have been active in its councils, has always commanded the esteem, good will and respect of his fellow members. From the insurance ranks in San Francisco has fallen out one of the oldest in the profession. Prominent in local circles, upright and honest in all his dealings, a correct, conscientious business man, a faithful friend, and one whose word could always be implicitly relied upon. In family circles it would be hard indeed to find a more devoted husband, a better or more loving father. Of him it may be truly said that those who knew him best honored him most.

Very respectfully yours,

EDWARD BROWN,

C. MASON KINNE,

Committee.

## LIST OF MEMBERS.

## ACTIVE MEMBERS.

- Agard, J. J., Special Agent, Hartford Fire Insurance Company.  
Anderson, Hugh, Adjuster, Salt Lake, Utah.  
Andre, A. A., Independent Adjuster.  
Andrew, John, Special Agent, Butler & Halden.  
Ashton, Geo. F., General Agent, Orient and Providence-Washington Insurance Companies.  
Avery, Frank M., Special Agent W. J. Callingham.  
Bagley, W. H., Special Agent, Phoenix and Home Insurance Companies.  
Bailey, J. D., General Agent, Insurance Company of North America.  
Barkman, F. C., Assistant Manager Continental Insurance Company.  
Barnett, B. N., Adjuster.  
Bangs, Franklin, Assistant Secretary, Home Mutual.  
Bates, Leslie, Special Agent, Gutte & Frank's Agency.  
Beck, J. M., Special Agent, Fire Association of Philadelphia.  
Belden, H. K., Manager, Hartford Fire Insurance Company.  
Bertheau, C., Manager, Hanover Insurance Company.  
Bertheau, Max A., Assistant Manager, Hanover Insurance Co.  
Boardman, Geo. C., General Agent, Ætna Insurance Company.  
Borchers, H. H., Special Agent, New Zealand Insurance Company.  
Boyd, H. C., Assistant Manager, Rudolph Herold's Agency.  
Bromwell, L. L., Vice-President, Oakland Home Insurance Company.  
Brown, Edward, General Agent, Brown, Craig & Co.  
Brown, A. M., Special Agent, Brown, Craig & Co.  
Brush, R. G., Special Agent, Liverpool, London and Globe Insurance Companies.  
Burks, Chas. F., Adjuster.  
Butler, Geo. E., General Agent, Phoenix Assurance Company of London.  
Callingham, W. J., General Agent, City of London, Scottish Union and National, and Security Insurance Companies.  
Carpenter, E. W.  
Chalmers, W. L., Fire Insurance Adjuster.  
Cofran, J. W. G., Manager, Hartford Fire Insurance Company.  
Conrad, J. G., General Agent, Voss, Conrad & Co.



- Craig, Homer A., General Agent, Brown, Craig & Co.  
Craig, Hugh, Manager, New Zealand Insurance Company.
- DeVeuve, James H., Special Agent, Geo. F. Grant's Agency.  
Dibbern, J. H., of Manheim, Dibbern & Co., City Agents.  
Dick, B. C., General Agent Sun Insurance Company.  
Dickson, Robert, Manager, Queen, Royal Exchange and Connecticut Insurance Companies.
- Donnell, A. C., General Insurance Agent, Okell, Donnell & Co.  
Dornin, Geo. D., Manager, National Fire Insurance Company of Hartford.  
Dornin, Geo. W., Assistant Manager, National Fire Insurance Company of Hartford.
- Driffield, V. C., Manager, Transatlantic Insurance Company.  
Dubois, S. V., Special Agent, Orient and Providence-Washington Insurance Companies.
- Dugan, A. G., General Agent, Springfield Fire and Marine Insurance Company.
- Dutton, W. J., Vice-President, Fireman's Fund Insurance Company.  
Duval, W. S., General Agent, Continental Insurance Company.
- Ecklin, Chas. C., Special Agent, Home Mutual Insurance Company.  
Edwards, L. B., Superintendent of Agencies, with Balfour, Guthrie & Co.'s Agency.
- Fabj, R. P., Special Agent, Fireman's Fund Insurance Company.  
Farnsworth, Ed. P., Aduster.
- Farnum, N. C., Special Agent, Home Mutual Insurance Company.  
Faymonville, Bernard, Second Vice-President and Secretary, Fireman's Fund Insurance Company.
- Fennel, Henry T., Special Agent, Palatine Insurance Company.  
Fogarty, J. T., Special Agent, R. V. Watt's Agency.
- Folger, Herbert, Manager, Portland Branch, New Zealand Insurance Company.
- Foster, W. B., Special Agent, Westchester Insurance Company.  
Frank, Wm., General Agent, Gutte & Frank's Agency.
- Fraser, W. A., Special Agent, A. R. Gurrey.  
Friend, W. H., Secretary, Sun Insurance Company.  
Fuller, J. L., Special Agent, E. W. Carpenter.
- Gartner, A. F., Special Agent, Phoenix and Home Insurance Companies, Portland, Oregon.
- Gazzam, W. L., Special Agent, North British and Mercantile Insurance Company, Seattle, Wash.
- Gibbons, W. H., Special Agent, Brown, Craig & Co.'s Agency.

- Grant, Geo. F., Manager, London and Northern Assurance Companies.
- Grant, H. M., Secretary, Northwest Insurance Company.
- Grant, Tom C., Manager, North British & Mercantile Insurance Company.
- Gunnison, A. R., Adjuster.
- Gurrey, A. R., Manager, Western of Toronto, British America, American of New York.
- Greene, M. J., Special Agent, Continental Insurance Company.
- Grim, Alfred R., Special Agent, Alliance Assurance Company of London.
- Gutte, I., General Agent, Gutte & Frank.
- Haldan, E. B., General Agent, Phoenix of London.
- Hall, O. N., Special Agent, Fire Association of Philadelphia.
- Haven, Chas. D., Resident Secretary, Liverpool and London and Globe Insurance Company.
- Herold, Rudolph, General Agent, Hamburg-Bremen and Niagara Insurance Companies.
- Heron, John D., Special Agent.
- Hewitt, Dixwell, Special Agent, Orient and Providence-Washington Insurance Companies.
- Hicks, F. S., Insurance Agent, Los Angeles, Cal.
- Hill, Wm. H., Special Agent, Brown, Craig & Co.
- Hillman, J. R., General Agent, American Central, Delaware and Pacific Insurance Companies.
- Hopkins, W. B., Special Agent, London & Lancashire Insurance Company.
- Hamilton, J. K., Special Agent, Insurance Company of North America.
- Hughes, Ed. O., Special Agent, Palatine Insurance Company.
- Halsey, H. G., Special Agent, Fireman's Fund Insurance Company.
- Hunter, R. D., Special Agent, Fireman's Fund Insurance Company.
- Ives, S. D., General Agent, Fireman's Fund Insurance Company.
- Jacobs, Julius, General Agent.
- Jacoby, Franz, General Agent, Prussian National Insurance Company.
- James, N. T., United States Manager for Alliance Assurance Co.
- Kinne, C. Mason, Assistant Resident Secretary, Liverpool & London & Globe Insurance Company.
- Lamping, L. F., Special Agent, Springfield Insurance Company.
- Landers, W. J., Manager, Guardian and Sun Fire Assurance Companies.

- Lavery, J. G., Adjuster.  
Lockey, Richard, Adjuster, Helena, Montana.  
Lowden, W. H., Resident Secretary, North British and Mercantile Insurance Company.  
Laton, Chas. A., General Agent, Palatine and United Fire Insurance Company.  
Leonard, Geo., Assistant Manager, Transatlantic Insurance Company.  
Lord, Leslie, Special Agent, Geo. D. Dornin.  
Mackie, J. B., Special Agent.  
Magill, A. E., General Agent, Phoenix and Home Insurance Companies.  
Mailliard, J. W., Insurance Agent.  
Mann, H. R., General Agent, Mann & Wilson's Agency.  
Manning, F. J. H., Special Agent, Palatine Insurance Company.  
Marshall, J., Jr., Special Agent Robert Dickson's Agency.  
Maxwell, J. D., Insurance Agency.  
McElhone, F. H., Special Agent, Fireman's Fund Insurance Company.  
McCarthy, Thomas J., Adjuster.  
McKowen, J. H., Adjuster, Spokane, Wash.  
McVean, D., Special Agent, Transatlantic.  
Meade, Calvert, Adjuster.  
Mel, Louis, Special Agent, Ætna Insurance Company.  
Mendell, Geo. H., Jr., Special Agent, Fireman's Fund Insurance Company.  
Merrill, M. H., Special Agent, Oakland Home Insurance Company.  
Miles, D. E., Assistant Manager, London & Lancashire Insurance Company.  
Mitchell, Geo. M., Adjuster, New Zealand Insurance Company.  
Morrison, Ed. C., Special Agent, Ætna Insurance Company.  
Marston, J. A., Special Agent, Balfour, Guthrie & Co.'s Agency.  
Miller, T. L., Special Agent.  
Medcraft, R. C., Sub-manager, Imperial and Lion Insurance Companies.  
Morgan, W. O., Special Agent, Home and Phoenix.  
Morrow, J. H., Special Agent, W. J. Callingham's Agency.  
Mullins, C. F., Manager, Commercial Union Assurance Company.  
Naunton, R. H., Special Agent, Commercial Union Assurance Company.  
Nearney, T. A., Special Agent, Northwestern and National.  
Niebling, E. T., Special Agent, Commercial Union Assurance Company.

Niles, Edward, General Agent, Alliance Assurance Company of London.

Nippert, Paul M., General Agent, Fire Association of Philadelphia.

Okell, Charles J., Okell, Donnell & Co.

Osborn, R. W., Special Agent, Brown, Craig & Co.'s Agency.

Otey, Mercer.

Outcalt, Peter, Adjuster.

Palache, Whitney, Special Agent, Hartford Insurance Company.

Parker, Chas. T., Assistant Manager, Palatine Insurance Company.

Parker, S. S. C., Special Agent, Okell, Donnell & Co.

Pope, T. E., Assistant General Agent, Ætna Insurance Company.

Potter, E. E., General Agent.

Riggen, S. B., Adjuster, Portland, Oregon.

Ridling, A. G., Special Agent, Continental Insurance Company.

Scott, Chas. O., Special Agent, Insurance Company of North America.

Sexton, Wm., Manager, Imperial and Lion Insurance Companies.

Smith, Ben. J., Special Agent, Robert Dickson's Agency.

Smith, H. Bronson, Adjuster, Dallas, Texas.

Smith, H. H., Special Agent, Catton, Bell & Co.

Smith, Roderick E., Special Agent, Fire Association of Philadelphia.

Smith, Sidney H., Special Agent, London & Lancashire Insurance Company.

Spencer, D. A., Seattle, Wash.

Spencer, Geo. W., Manager, Manchester, Caledonian and American Insurance Companies.

Speyer, Walter M., Special Agent, Mann & Wilson.

Sprowl, E. G., Special Agent, Liverpool and London and Globe Insurance Companies.

Staples, D. J., President, Fireman's Fund Insurance Company.

Stillman, A., Compact Manager.

Story, Chas. R., President, Home Mutual Insurance Company.

Storey, Frank C., Special Agent Rolla V. Watt's Agency.

Sinclair, A. P., Special Agent, Phoenix & Home.

Stoy, Samuel B., Special Agent, London & Lancashire Insurance Co.

Stuart, C. A., Assistant Manager, Western of Toronto, British America, American of New York.

Swett, Frank H., Adjuster.

Smalley, B. D., Adjuster, Seattle.

Sewell, A. F., Special Agent, Springfield Insurance Company.

Seaton, L. M., Special Agent, Fireman's Fund Insurance Company.



- Spinney, Chas. S., Special Agent, Butler & Haldan's Agency.  
Smedberg, W. R., Smedberg & Mitchell's Agency.  
Spencer, H. McD., Special Agent, German Insurance Company of Freeport.
- Thomas, W. P., Superintendent of Agencies, Commercial Union Assurance Company.  
Turner, G. W., General Agent, Northwestern National Insurance Company.  
Tyson, Geo. H., General Agent, German-American Insurance Company.  
Tyson, R. J., Special Agent, German-American Insurance Company.  
Thompson, E. L., Special Agent, Northwest Insurance Company, Portland, Oregon.  
Tiedemann, Tudor, Special Agent, Brown, Craig & Co.  
Thornton, A. W., Special Agent, Insurance Company of North America.
- Voss, F. G., General Agent, Voss, Conrad & Co.
- Ward, Ben. E., Los Angeles, Cal.  
Ward, C. H., Special Agent, N. Y. Underwriters' Agency.  
Warren, Albert M., Manager Milwaukee and Mechanics Insurance Companies.  
Watt, Rolla V., Manager Royal and Norwich Union Insurance Companies.  
Weinmann, Louis, Assistant Secretary, Fireman's Fund Insurance Company.  
Wenzelburger, A., Adjuster.  
Wetzlar, A. J., Fire Insurance Adjuster.  
Wheeler, Dalton, Adjuster, Los Angeles.  
White, F. G., Denver, Col.  
Wilson, D. B., Adjuster.  
Wilson, J. Scott, General Agent, Mann & Wilson's Agency.  
Williams, T. H., Special Agent, Imperial.  
Watson, I. S., Special Agent, Home Mutual Insurance Company.  
Westlake, W. B., Special Agent, Home Mutual Insurance Company.  
Wooley, W. C., Special Agent, T. C. Grant.  
Wright, L. A., Special Agent, Alliance Assurance Company of London.
- Young, Frank W., Special Agent, Home Mutual Insurance Company, Denver.

## HONORARY MEMBERS.

- Bigelow, H. H., Adjuster, San Francisco.  
Brodrick, W. J., Insurance Agent, Los Angeles.  
Conroy, T. J., Assistant Manager, Pacific Insurance Union.  
Dudley, W. W., Illinois State Agent, German-American Ins. Co.  
Edwards, J. G., Publisher Coast Review, San Francisco.  
Houghton, J. F., San Francisco.  
Hine, C. C., Editor Insurance Monitor, New York.  
Jack, A. Hill, General Manager, National Insurance Company of  
New Zealand.  
Kirby, D. L., No. 1 Pine Street, New York City.  
Low, Geo. P., Electrical Inspector, Pacific Insurance Union.  
McLellan, G. F., Insurance Agent, Los Angeles.  
Olmstead, W. N., 62 Cedar Street, room 10, New York.  
Parkhurst, H., Surveyor, Pacific Insurance Union, Portland, Or.  
Porter, F. H., 303 California Street, San Francisco.  
Smith, A. D., Surveyor, Pacific Insurance Union.  
Winne, Peter, Helena, Montana.

# FIRE UNDERWRITERS' ASSOCIATION

Of the Pacific.



## Officers for 1894.

PRESIDENT, - - - - - R. V. WATT

VICE-PRESIDENT, - - - - - V. CARUS DRIFFIELD

SECRETARY AND TREASURER, - - - - - R. W. OSBORN

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CALIFORNIA KNAPSACK, : GEO. F. GRANT, EDITOR

**PROCEEDINGS**

OF THE

**Nineteenth Annual Meeting**

OF THE

**Fire Underwriters' Association**

**OF THE PACIFIC.**



**San Francisco, Cal., February 19th and 20th, 1895**

**PRINTED BY ORDER OF THE ASSOCIATION**

**1895**



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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

### NINETEENTH ANNUAL MEETING

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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

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### *OFFICERS FOR 1894.*

PRESIDENT. . . . . ROLLA V. WATT  
VICE-PRESIDENT. . . . . V. CARUS DRIFFIELD  
SECRETARY AND TREASURER. . . . . R. W. OSBORN

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### *EXECUTIVE COMMITTEE.*

HERBERT FOLGER    FRANZ JACOBY    JAS. H. DE VEUVE

---

### *LIBRARY COMMITTEE.*

ALEX. J. WETZLAR    A. G. DUGAN    BEN. J. SMITH

---

### *DINNER COMMITTEE.*

GEO. W. SPENCER    GEO. F. GRANT

---

CALIFORNIA KNAPSACK—GEO. F. GRANT, EDITOR

ED. NILES, ASSISTANT EDITOR

# Fire Underwriters' Association

## OF THE PACIFIC.

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The nineteenth annual meeting of the Fire Underwriters' Association of the Pacific was called to order by the President, Rolla V. Watt, on Tuesday, February 19th, 1895, at 10 o'clock A. M.

The following members were present:

John Andrew,  
F. G. Argall,  
George E. Butler,  
George C. Boardman,  
Leslie Bates,  
H. C. Boyd,  
J. M. Beck,  
R. G. Brush,  
H. H. Borchers,  
W. H. Bagley,  
A. M. Brown,  
Franklin Bangs,  
John D. Bradford,  
L. J. Beckett,  
W. J. Callingham,  
H. A. Craig,  
Hugh Craig,  
J. G. Conrad,  
Charles Christensen,  
George D. Dornin,  
W. J. Dutton,  
V. C. Driffield,  
B. C. Dick,  
A. G. Dugan,  
Frank J. Devlin,

Frank M. Gilcrest,  
H. M. Grant,  
J. R. Hillman,  
W. B. Hopkins,  
W. H. Hill,  
R. D. Hunter,  
C. Mason Kinne,  
W. H. Lowden,  
Leslie Lord,  
L. F. Lamping,  
J. D. Maxwell,  
Calvert Meade,  
H. R. Mann,  
E. C. Morrison,  
R. C. Medcraft,  
George H. Mendell, Jr.  
D. McVean,  
J. H. McKowen,  
William Maris,  
Peter Outcalt,  
R. W. Osborn,  
T. E. Pope,  
William Reed,  
Walter M. Speyer,  
D. A. Spencer,



Chester Deering,  
 Robert H. Delafield,  
 H. Danker,  
 L. B. Edwards,  
 E. P. Farnsworth,  
 Herbert Folger,  
 J. T. Fogarty,  
 N. C. Farnum,  
 W. A. Fraser,  
 Guy Francis,  
 W. H. Gibbons,  
 George F. Grant,  
 A. R. Gunnison,  
 A. R. Currey,

L. M. Seaton,  
 R. E. Smith,  
 B. D. Smalley,  
 Sidney H. Smith,  
 Frank C. Storey,  
 C. W. Smith,  
 Charles R. Thompson,  
 John Scott Wilson,  
 Rolla V. Watt,  
 Louis Weinmann,  
 I. S. Watson,  
 W. C. Wooley,  
 Albert M. Warren,  
 A. R. Grim.

The President—The first number on our programme is the report of the Secretary and Treasurer, Mr. R. W. Osborn. The minutes of the last annual meeting, having been printed, will not be read.

By your order at the quarterly meeting, which has just been held, the resignation of Mr. E. W. Carpenter will take precedence of everything else.

The Secretary (reading:)—

FEBRUARY 15, 1895.

*The Fire Underwriters' Association of the Pacific :*

GENTLEMEN AND FRIENDS:—My connection with the fire insurance business upon this Coast is not such as to entitle me to continue that membership in your Association which began sixteen years ago, and I therefore resign the same.

Assuring you of the great pleasure which said membership has given me, and wishing you abundant prosperity as an organization and individually, I remain,

Yours truly,

E. W. CARPENTER.

The President—Gentlemen, what is your pleasure?

Mr. Hillman—Mr. President, I move that the resignation of Mr. E. W. Carpenter as an active member, if such be the proper term, be accepted, and that he be elected to honorary membership in the Association.

Mr. Butler—I think that that question should be divided, Mr. President. First, the resignation should be acted upon and then the question of honorary membership considered.

The President—There being no objection we will divide the question. The resignation is before you. All who are in favor of accepting the resignation will please signify it by saying aye. Contrary, no. It is carried.

Now for the other part of Mr. Hillman's motion, that Mr. Carpenter be elected to honorary membership.

Mr. Gunnison—I move that the Secretary be instructed to cast the vote for the Association, if it can be done according to the constitution.

The President—If it becomes necessary in order to be legally done this can be followed up by a vote of the Association or election committee. Are you ready for the question?

Mr. Edwards—I would like to see some provision of our constitution that would permit members who have been so faithful and active in the service of this organization, to continue their membership, even though they have retired from the insurance business. It is not often that we have members who are as active and energetic as Mr. Carpenter. In fact, I do not recall any member who has done more, and I heartily second the motion, or the suggestion rather, that Mr. Carpenter be elected an honorary member, and only regret that the constitution will prohibit us from continuing him as an active member.

Mr. Gunnison—While I am thoroughly in accord with all that Mr. Edwards has said, still I think it would be a bad precedent to establish such provision, for the reason that we require certain qualifications for membership. I imagine that when those qualifications cease, then the membership could no longer exist.

Mr. Butler—I think these remarks are very appropriate, and in order. This is a sort of a trade guild. It has its trade marks upon it most undoubtedly, and when a man ceases to be connected with us I think it very proper that he should drop out, unless his very conspicuous and eminent services call for recognition. I believe that recognition may always be expected at the hands of this Association.

I do not think we lack in gratitude to those gentlemen who serve us faithfully. When a man has done as well and ably as Mr. Car-

penter he can command always a unanimous vote of this Association. It is better to leave this in its present condition, thus avoiding possible difficulty or injury in the future. In its present shape we have everything in our own hands. I think it a safe place to leave it.

Mr. Argall—In a matter of this kind it would seem to me a more gratifying compliment were the opinion of the meeting to be obtained by acclamation rather than by having the Secretary cast the ballot. I offer that simply as a suggestion.

The Secretary—I would state this: that Mr. Carpenter and myself had some conversation on this very subject, and it was his desire that the resignation should take effect, and that, if we wished to confer upon him honorary membership, he would appreciate it. But he spoke particularly of the precedent that would be established, and did not care to have it done in his case.

The President—We have digressed a little from the matter of Mr. Carpenter's honorary membership to discuss the provisions of the Constitution. However, the question now before you is with regard to the election of Mr. Carpenter to honorary membership. Before putting the question to a vote, I want to say I feel that the services Mr. Carpenter has rendered this Association are of such value and character as to fully entitle him to such election. He has always been a loyal and faithful member, and has contributed so much to our interest, enjoyment and profit, that it seems a very proper thing for us to do at this time. All favoring the motion will signify it by saying aye. Contrary, no.

The motion is unanimously carried, and the Secretary will attend to the formalities.

The President—The reports of the Secretary and Treasurer are now in order.

The Secretary—I will announce the unanimous election of Mr. Carpenter as an honorary member of this Association.

(Reads Secretary's report.)

## SECRETARY'S REPORT.

*To the President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—I beg leave to submit herewith my annual report as Secretary of the Association.

At the commencement of the year of 1894 we had a net enrolled membership of one hundred and eighty-five members. During the year eighteen were admitted, making a total membership of two hundred and three active members. But I am sorry to report that during the year the membership has been reduced from the latter figure by reason of resignations, those being dropped for non-payment of dues, also one death, so that the active membership at this meeting is one hundred and ninety-seven, thus showing a net gain of twelve members.

We have held five meetings during the year, omitting the one this morning. The average attendance has been ten and would be considerably augmented if we had included the meeting referred to.

We were in hopes that this annual meeting we would be able to record no deaths, and it is therefore with sorrow that I announce that during the year our associate, Frank H. Swett, passed away.

The affairs of the Association appear to be in excellent condition, and while we did not succeed in increasing the membership as had been our purpose, yet the admission of eighteen to our ranks is indeed a subject of congratulation.

Those dropped for non-payment of dues, together with some of the resignations, were not in consequence of a desire to leave us, but more especially because a number of them had changed their positions, thereby becoming ineligible.

It would appear to me to be wise to place on the Election Committee only those who are in a position to be in the city regularly, otherwise it is quite difficult at times to obtain the required number of votes.

Very respectfully submitted,

R. W. OSBORN,  
Secretary.

The President—You have heard the report of the Secretary; if there are no objections, it will take the usual course.

The Secretary—(Reads financial report.)

## TREASURER'S REPORT.

SAN FRANCISCO, Feb'y 19th, 1895.

*To the President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN: I beg leave to submit my annual report as Treasurer.

	DR.
Cash on hand . . . . .	\$ 63 55
Received from dues . . . . .	899 00
Received from admission fees . . . . .	120 00



## TREASURER'S REPORT.

Received from sale of badges . . . . .	28 00	
Received from sale of proceedings . . . . .	26 50	
		\$1,137 05
		CR.
Badges . . . . .	30 00	
Salary Secretary . . . . .	100 00	
Banquet Committee . . . . .	13 50	
Library " . . . . .	45 15	
Delivering notices, etc. . . . .	2 20	
Postage . . . . .	5 90	
Printing, Payot, Upham & Co. . . . .	17 95	
" Dutton & Co. . . . .	3 50	
" engraving, etc., Payot, Upham . . . . .	13 00	
" acct. of '93 . . . . .	10 50	
" acct. of '93 . . . . .	14 75	
" Stanley & Co. . . . .	11 25	
" Stanley & Co. . . . .	12 75	
Reporting annual proceedings . . . . .	70 40	
Printing " " . . . . .	265 00	
Delivering notices, etc., five meetings . . . . .	10 00	
Expressage on proceedings, etc. . . . .	5 20	
Sanborn, Vail & Co., framing . . . . .	3 45	
Entertaining Clerks' Association . . . . .	50 00	
Elevator for same . . . . .	5 00	
Incidentals . . . . .	2 60	
Delivering notices, same . . . . .	1 25	
Floral piece of F. H. Swett . . . . .	10 00	
Delivering two notices of funeral of F. H. Swett . . . . .	2 50	
Fireman's Fund prem. '94 . . . . .	4 85	
Printing letter of F. H. Swett . . . . .	1 75	
Reprints of Smalley's paper . . . . .	5 00	
Printing, Stanley & Co. . . . .	9 00	
Althorp & Bahls, binding . . . . .	10 60	
Fireman's Fund prem. '95 . . . . .	4 85	
Telegrams . . . . .	1 30	
Envelopes, etc. . . . .	2 50	
	\$746 00	
Deliv. notices, clerk's ent. . . . .	1 25	
	\$747 25	\$747 25
Balance . . . . .		\$389 80

(Applause.)

The President—Gentlemen, you have heard the report of the Treasurer, which I believe has been duly audited?

The Treasurer—Yes, sir.

The President—The report of the Treasurer has been read; if there are no objections, it will take the usual course. I am sure you all feel very much gratified at our financial condition.

We will now have the report of the Executive Committee, Mr. Herbert Folger, Chairman.

Mr. Folger—(Reads report:)

## REPORT OF EXECUTIVE COMMITTEE.

SAN FRANCISCO, Feb'y 19th, 1895.

*To the President and Members of the Fire Underwriters' Association of the Pacific, San Francisco, Cal.*

GENTLEMEN:—In accordance with the usual custom the Executive Committee has audited the books and accounts of the Treasurer for the past year. We find them to be well and truly kept, and the balance on hand agrees with the Treasurer's statement, which has been presented to you.

As being of special interest, we submit a table comparing the receipts and expenditures for 1894-95 with the preceding year:

RECEIPTS.		
	1893-4.	1894-5.
Balance . . . . .	\$ 40 91	\$ 63 55
Dues . . . . .	902 50	899 00
Admission fees . . . . .	105 00	120 00
Badges . . . . .	46 00	28 00
Sales of proceedings . . . . .	17 00	26 50
	<hr/> \$1,111 41	<hr/> \$1,137 05

PAYMENTS.		
Salary of Secretary . . . . .	\$ 100 00	\$ 100 00
Library . . . . .	100 80	65 45
Banquet deficiency . . . . .	6 15	13 50
Printing . . . . .	179 91	97 70
Reporting and printing proceedings . . . .	484 00	335 40
Addressing notices, etc. . . . .	35 00	17 50
Expressage and postage . . . . .	21 25	12 40
Entertaining Clerks' Association . . . . .		55 00
Incidentals . . . . .	10 15	5 10
Tributes to deceased members . . . . .	35 75	15 20
Taxes . . . . .	28 85	
Badges . . . . .	46 00	30 00
	<hr/> \$1,047 86	<hr/> \$747 25

We congratulate the Association on a very handsome showing made by this comparison. It will be conceded that the printed report of our last annual meeting was quite up to the standard of any previous year, although it cost \$150 less than the report for 1893. Owing to the smaller number of meetings, a reduction has also been made in our printing bills of about \$80.

The expenditure for the library account is small, and we believe this can be increased, with corresponding profit to the Association. The entertainment given to the Clerks' Association was considered a marked success, was not unduly expensive and should be repeated. We have no comment to make on other items of expenditure, save that we are of the opinion that the honorarium allowed the Secretary should cover any incidental expense incurred in having meeting notices delivered, envelopes addressed, etc., although a precedent has been established for charging for these items during the past few years. Now that the membership of the Association has so increased that the annual dues are likely to exceed the ordinary expenses by \$100 or \$150, the Association is in a position to consider new means of adding to our possessions and developing the talent to be found among the younger men in the business.

Several months ago the Executive Committee suggested the propriety of inviting members of the Fire Underwriters' Clerks' Association to prepare papers upon subjects selected by themselves, to be presented in type-written form at this annual meeting, without anything to reveal the identity of the writers, under an agreement that the paper possessing the greatest merit should be read at this meeting and printed in our annual proceedings. Two papers have been written in response to this suggestion, and while we are not at liberty to pass upon them in advance, we are of the opinion that they evince considerable effort and interest. We trust that a similar invitation will be extended during the coming year, and that a larger number of papers will be entered for competition. The English insurance institutes frequently offer cash prizes for papers by their associate members, but we believe that better results could be secured under the present system. It may be proper, however, for the Association to consider the creation of an associate membership to be drawn from the ranks of younger men in the profession, whose positions, clerical or otherwise, are not such as to entitle them to active membership even though they may have seen many years of service. If this should be seriously considered, it ought to be required that associate members should only be admitted after giving good evidence that they are entitled to recognition. The English institutes are also in the habit of conducting yearly examinations in branches of knowledge allied to fire insurance interests, offering prizes as well for the best series of replies to the questions submitted during the examination. While we are not prepared to recommend this, it might be well to encourage the preparation of papers on a special subject, such as the hazards of a particular business.

Respectfully submitted,

HERBERT FOLGER,  
FRANZ JACOBY,  
J. H. DE VEUVE.

The President—You have heard the report of the Executive Committee, gentlemen; what is your pleasure concerning it?

Mr. Devlin—I move it be received and placed on file.

Seconded and carried.

The President—I presume the suggestions made by the Executive Committee will have to be taken up by their successors.

The Library Committee, Mr. A. J. Wetzlar is Chairman, but does not appear to be present. I met Mr. Wetzlar this morning and he stated that he had to attend a loss meeting, but would be here shortly. The only other member of the Committee present is Mr. A. G. Dugan.

Mr. Dugan—I have not had an opportunity to confer with the other members of the Committee, so must ask to be excused. I have no report to make.

The President—I think Mr. Wetzlar will have a report when he comes.

According to the programme, the next order is the President's address, but before delivering it I desire to introduce to the members of the Association, Mr. William Haitz of Seattle, who is visiting with us to-day. We are glad to have Mr. Haitz with us. I believe all others present are members of the Association.

The President—(Reads.)

#### PRESIDENT'S ADDRESS.

*Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN: It is with unalloyed pleasure that I greet you to-day at this opening session of our 19th annual meeting. Time would not suffice to recall nor would it be possible for any one to recount the benefits of our yearly gatherings. Many a special agent has been helped over a thorny path by what he has heard here or read in our printed minutes. The manager and the experienced field man may learn much by the exchange of views and experiences here, but to the novice this Association is a school, a college, a university, where he may by diligence and attention profit by the experience of others at practically no other cost.

I am free to say that a careful study of the proceedings of these annual meetings would furnish a liberal insurance education to any intelligent young man. It cannot be gainsayed that on these occasions we indulge in more or less theory, but our practices would be very disjointed were it not for the theories behind them; hence it is well to theorize. Many of us owe what little success we may have achieved not to any special endowments, not to any unusual circumstances, not to any "push" or "pull," not to any influence at headquarters, but to integrity of purpose, application and strict attention to business, energy and intelligence in the use of what little knowledge we may possess, never missing an opportunity to learn or to teach, for a man cannot develop a broad and good character who is ever



absorbing and never giving out. Physicians have a high standard of ethics, and a man who discovers a remedy and patents it or keeps it a secret is regarded a quack. Unfortunately many are not willing to apply to business this same standard of ethics, but I give it as my opinion that if we desire to make the most of our business life, we must do it by *getting* and *doing* all the good we can. That narrow view of life which excuses gross selfishness and even questionable methods of business does not result in true success. Broad Christian principles underlie the best results of this or any other age. At most life is but a span; we cannot live here always, if we would. Therefore why should we hold within ourselves that which would be of value to our fellows. We have it within our power to ennoble the profession to which we are devoting our lives.

#### INDUSTRY.

The lazy man has no place in the insurance business—there is too much to be done—and laziness cannot be tolerated. We must not be satisfied simply with collecting premiums and paying losses. The theory that we must take the risk as we find it and fix the rate accordingly is in the abstract correct, but we are more than insurance men—we are citizens and owe to the community as much as any other class of men. The tremendous fire loss, estimated in 1892 at \$132,000,000, in 1893 at \$156,000,000, and in 1894 at \$128,000,000, is simply appalling and is such a drain upon the business resources of the country as should cause every good citizen to stop and think what can be done to reduce this terrible waste. To this matter therefore we should give our close attention. We should study the causes of fires and seek to prevent them; the most approved methods of fire protection, and encourage their introduction and use; modern architecture and construction, and favor laws to regulate it; familiarize ourselves with fire proofing materials, the products of petroleum, electricity, that great and little understood force and hazard, and in fact everything that has a bearing on fire waste. I contend that our business is not simply to take the hazard as we find it and charge for it, but as good citizens to reduce the hazard and thereby save to the wealth of the country vast sums of money.

#### THE PAST YEAR.

During the past year the Association has enjoyed a good degree of prosperity—our membership has increased and we have a very handsome cash balance (with all accounts paid) as you have already noted from the reports read. A part of the surplus might be expended with profit upon our library.

#### FRANK H. SWETT.

Death entered our ranks but once, but he struck at a shining mark and took from us Mr. Frank H. Swett, a valued member of this Association—genial, capable, courteous, always ready to oblige a fellow-worker or to contribute to the profit and pleasure of this Association. You will remember he was with us at our last annual meeting and read a very able paper on "Insurable Interest." A committee will present for your adoption suitable resolutions in respect to his memory.

## MEETINGS.

I think the change from monthly to quarterly meetings was a mistake, and that the interests of the Association would be better subserved by more frequent sessions. There are often matters of importance which should be taken up for consideration, but which are forgotten or lose interest in the interim.

## ELECTIONS.

I also believe that the committee plan of electing new members is not satisfactory, and I think we are not as likely to give careful consideration to the eligibility and desirability of applicants for membership under the new as under the old method.

## CLERKS' ASSOCIATION.

Pursuant to an order passed at the first quarterly meeting, we tendered a reception to the Clerks' Association of this city, on the evening of September 6th, 1894. Both organizations were well represented, there being from thirty-five to forty members of the Clerks' Association present. Addresses of welcome and response were made, after which a number of topics were treated by members of each Association. At the conclusion of the very pleasant and profitable evening refreshments were served. I unhesitatingly recommend a similar reception be given annually, and that the members of this Association interest themselves in being present. These young men are eventually to succeed us in our several positions, and we owe it to ourselves and to them to encourage and help them all we can.

## PACIFIC INSURANCE UNION.

This time honored organization is dead. It is an unwritten law that we should speak well of the departed, and for the most part we can conscientiously do so in this instance, for while union methods have deprived us of self reliance in the matter of making rates, it is gratifying to note, however, that taken as a whole union rates have yielded a fair profit, even though that profit may all have been made in certain favored localities. After all, profit is the great desideratum in this business.

## LINES.

No subject is more frequently considered. In fact, every hour of the day we are called upon to decide the amount we will carry on a particular risk. No subject will bring out more diverse views than the "Theory of Lines," upon which we will have several papers and I presume considerable discussion at this session. The puzzling thing about it is that men advocating diametrically opposite theories come out with similar results at the end of the year.

## EXPOSURE CHARGES.

For the mathematically or statistically inclined here is an opportunity to gratify a taste for research. Some one by considerable study has calculated that in New York state 22 per cent. of the losses arose from exposures. Applying this ratio to Coast losses, we find that \$1,143,560 would be the loss attributable to exposure fires. The ratio of losses to premiums

on the Coast in 1894 was 49.7 per cent. The exposure loss therefore at the same ratio would indicate premiums collected for exposures \$2,300,000. Now the question arises, does the same ratio obtain here, and if so, did we collect on this Coast solely for exposure charges \$2,300,000? If not, our rates are incorrect in this particular and we are charging too much for unexposed risks and too little for exposed risks.

#### BUILDINGS VERSUS STOCKS.

Here again is an opportunity for speculation or perhaps for figures. How many of us prefer stocks in brick buildings to the buildings themselves? How many are just as willing to take stocks as buildings? How many prefer *buildings* to *stocks*? I contend, gentlemen, that the rates should be so arranged as to make all risks equally desirable. Do you suppose that when that result is attained the millennium will have been reached? Then let us hasten on to the millennium. If risks are properly understood and rated all will be equally desirable physically. Ignitability, combustibility and susceptibility, as stated by the chairman of the Universal Mercantile Schedule Committee, constitute the basis of the rate. These three points must certainly be considered in arriving at the rate which the risk itself should command. Then deficiency and exposure charges should be added.

#### MAXIMUM RATE.

Here is a relic of by-gone days. Maximum rate 10 per cent. Why in the name of common sense stop at 10 per cent. if the risk is worth 15 per cent.? Is there a magic spell about that point? No, the rate must be fixed correctly, for on the rate hang the permanency, prosperity and comfort of our business. The margin of profit is so small that if it can be exactly divided over each class of business rate-cutting, excess commission and bad faith generally will cease. Inequality in rating builds up bad practices and non-board companies.

#### CLASSIFICATIONS.

Many offices have for years classified their business under a hundred or more headings and such companies have at least some advantage over those offices which do not classify at all, but there is such a wide difference in judgment both as to risks and lines that I sometimes wonder if the classifications of one office prove anything of very great value. The advance from the tallow candle to the coal oil lamp, then from the coal oil lamp to gas, and then from gas to electricity, affected in each case a change in physical hazard; the introduction of the three-fourth loss or value clauses affected the moral hazard, and the adoption of the co-insurance clause affected the amounts carried and the rates secured on certain classes of business, automatic sprinklers have also been introduced, disturbing rates and lines. Classification methods meantime have changed but slightly and in the main the work goes on in the same old way. Men differ so much in judgment both as to the desirability of certain classes of risks and as to lines carried that it is fair to ask, Is classification of any great value unless carried on in such a manner as to show all premiums received on all classes of risks and the losses thereon by classes in each district? I am



satisfied we have lost in the past ten years the best opportunity that insurance men ever had to classify the whole business of a department. This could have been done without divulging individual experiences concerning which some men seem to be very jealous.

## LOCAL AGENTS.

So much has been written upon this subject that I will only refer briefly to a point or two. As members of this Association in making agency appointments we should in a calm and dignified manner consider the best interests of our companies, not for a day or a year, but for a decade; we are too apt to look at present advantage rather than to long continued prosperity in the selection of the men who are to represent us. One of the most discouraging features of the business is that a man cannot become too rank, too dishonest, too disreputable to get the agency of some company. No matter if he has actually robbed his principals, collected and appropriated to his own use the premiums of his companies, some special agent will appoint him without regard to his past record with the hope of stealing from his competitors the business, the premiums on which have been stolen by the agent. I contend, gentlemen, that we ought to establish a higher standard of ethics in this particular.

## MORTGAGE CLAUSE.

I have no doubt the committee appointed at our last meeting to consider this subject will present to you a clear and comprehensive report. It would seem that banks, loan companies and private money lenders should have the protection which the most iron-clad mortgage clause can give them. The only question for the companies to consider is under what conditions and at what rates this protection can be granted. Certainly a risk is worth a larger rate where all the rights of the company as protected by the printed conditions of the policy are waived than otherwise. Hence it seems to me the only solution of the question of form of mortgage clause is the rate, and where the mortgagee insists upon a policy which eliminates the cancellation and contribution clauses, he should pay a premium large enough to warrant us in assuming the risk. A schedule of charges for the elimination or insertion of certain conditions might be arranged.

## CO-INSURANCE CLAUSE.

So much has been said and written on this subject that I do not think I ought to take up your time in its further consideration. I desire, however, to put myself on record as believing our present system unfair and inequitable. The rate should always be fixed upon the *basis* of full insurance so that where less than full insurance is to be carried the rates would be regulated by the proportion of insurance to value of property. Our whole system will be imperfect until based upon this or a similar plan. The arguments and mathematical demonstrations in this regard are no longer needed; they are familiar to all.

## FIRE CORONERS.

This is another threadbare subject, but the tremendous fire waste referred to in another part of this address fully justifies the statement that



it is not only the right but also the duty of the State to investigate the causes of fires. Many fires originate from carelessness; many others from poor construction, and still others from criminality. To a certain degree the State can reduce the first; it can have absolute control over the second, and can proceed against the third as it does against all other infractions of law. I think it is the duty of the members of this Association to encourage and promote public opinion on this subject, or as we sometimes say, "work up public sentiment" to a point where proper laws may be enacted along this line. Certainly the matter is of sufficient importance to engage the attention of our statesmen.

#### TARIFF ASSOCIATIONS.

Such organizations now exist throughout the world where there are any considerable number of companies operating and seem to be essential if a profit is to be realized. Those non-board companies which make money do so, I am convinced, because there are Tariff Associations which maintain fairly good practices and rates, and thus while conserving their own interests make a profit possible to other companies not affiliating with them.

#### NON-INTERCOURSE.

It will probably not be out of place to refer to this question here, though many of our members may be so-called non-boarders. In fact in this organization discussion takes a wide range, while at "Board" meetings discussions are one-sided. As for myself, I am compelled to say that I do not like the necessity of enforcing non-intercourse, yet I can scarcely see how it can be avoided so long as there are companies which will take advantage of the rules, rates and restrictions of tariff associations to forage upon the business of tariff companies. I know from personal experience that this is what non-board companies do, for I began my insurance life with a non-board or rather "little" board company, and while we were not permitted in the agencies with some of our larger and stronger competitors, still we made money, because, not being bound by their board rules or rates we cut a little under them on preferred classes or paid a little extra commission to brokers and agents. Of course the board companies did not like our kind of competition, and from time to time made it "hot" for us. It is strange how averse some men are to taking their own medicine. Finally mutual concessions were made and we came together in the old Pacific Insurance Union, which served us very well for some ten years. Now we are in trouble again, and are employing the same tactics, though with a little different personnel, and let us hope some amicable and fair settlement of our difficulties may be reached. Experiences of the past referred to here may be valuable to us all.

By the way, have you read the pledge of the new Board of Fire Underwriters of the Pacific. It is iron-clad and can scarcely be misconstrued—and I do not see how a man who signs and wilfully violates this agreement can retain his own self respect and certainly cannot that of his confreres.

## PLEDGE.

"I hereby agree with each and all of the signers of this agreement to observe in good faith, without evasion or mental reservation of any kind, all of the provisions of the constitution and rules and regulations of the Board of Fire Underwriters of the Pacific as they now are or may be hereafter constitutionally amended, holding myself faithfully to the spirit as well as to the letter of this agreement. My signature is also understood as binding upon my associates in management, special agents and all other employees of my office. Also, that I will not regard myself as relieved from any obligation assumed, notwithstanding the violation of such obligation by another member, except upon written resignation sent not less than fourteen days nor more than twenty-one days after service of written notice of my intention to resign, and until after all assessments shall have been paid, except that upon demand agreed upon by a majority vote of the entire membership, such vote being confirmed at a subsequent meeting not less than five days later, my name may be stricken from the roll without further notice."

## ADJUSTMENTS.

The Eastern insurance press at this time is devoting a great deal of attention to the matter of lump settlements. It seems that this method of settling losses has been practiced, greatly to the dissatisfaction of the insurance editors, if not managers, in many parts of the country. It is claimed that much larger sums are paid claimants under the lump settlement plan than would be under close adjustments. It is estimated that at least 5 per cent. of the total amount paid for losses in the United States, some \$5,000,000, is over and above what is actually due claimants. It is estimated that this money improperly paid to claimants would enable the companies to materially reduce rates or increase dividends. Certainly lump settlements should be discouraged.

In this address I have probably digressed too far from the line of proper discussion from the platform.

You are to be favored with papers from a number of members who have not written before. I have understood it to be the object of this Association to develop talent. You will all readily appreciate the fact that my task has been much more difficult on account of the recent disturbances in our business. Most of the special agents have been kept far from home and hard at work and it has been almost impossible for me to get enough of them to consent to write to furnish you with a programme for this occasion. We are, however, to have the pleasure of hearing a number of very important topics discussed and I sincerely hope that the meeting will prove to be one of the best in the history of our Association.

I beg to thank you for your very considerate attention to these rambling remarks.

(Applause.)

Mr. Folger—In pursuance of the time-honored custom, I move that the usual committee of three be appointed by the President to consider the recommendations in the address.

Mr. Butler—Second the motion.

The President—You have heard the motion, gentlemen. I would prefer that you appoint your own committee, however.

All who are in favor of thus appointing such committee will signify it by saying aye. Contrary, no. Carried.

I would be very glad, indeed, if the maker of the motion would name the committee.

Mr. Folger—It is customary for the President to consider the composition of the committee, and I would suggest if it is announced after the noon hour, it will be entirely satisfactory.

The President—I would be very glad to have you suggest the names of the committee.

Number three on the programme will be passed over until after the noon hour. The next number is "Arson Committee Work and Experience," by Mr. George E. Butler, chairman of that committee, who for a great many years has been fully conversant with its details. We are glad to hear from Mr. Butler.

Mr. Butler—It frequently takes time to get an arson case fixed up. No doubt this is like one after it is fixed—it will take a very short time to go on. (Reading:)

# A PAPER ON THE WORK AND EXPERIENCES OF THE ARSON COMMITTEE OF THE BOARD OF FIRE UNDERWRITERS OF THE PACIFIC.

No.....

REWARD OF.....DOLLARS.

*The Board of Fire Underwriters of the Pacific hereby offer a reward of .....Dollars, for the arrest within six months from this date, and the conviction of any person or persons found guilty of the crime of Arson, by being connected with the fire.*

San Francisco,.....189

By request of

Committee on Arson.

Mr. President and Gentlemen:

Upon invitation to prepare and deliver some remarks on the subject above mentioned, an endeavor is now made to give some brief account of facts,

ideas, and workings of this committee, whose responsibilities are of a somewhat peculiar character.

It may not be possible to make this paper very interesting when compared with other subjects which are brought before you, but there is an importance belonging to it, which may be increased largely in your estimation after you are made aware of the value which can only attach to it from personal knowledge.

On the 30th of January, 1875, a resolution was passed by the Board of Fire Underwriters, that the committee on arson be authorized to offer a reward not to exceed \$1,000, for the arrest and conviction of any person guilty of arson, in such places on the Pacific Coast as they may think proper.

It has been deemed by the committee a part of their duty to fix the sum offered to suit the exigencies of each individual case, and just as no reward is offered except at the written desire of a contributor to the arson fund, so the amount of each reward is usually agreed upon in accordance with the views of the member making requisition. While the committee are empowered to name so high a sum as \$1,000, it has been deemed advisable in but very few instances and under peculiarly aggravated circumstances to place the figure at more than \$500, while every purpose has apparently been attained by the offer of sums ranging from \$100 to \$350. Contrary to the impression prevailing amongst some special agents and not a few country agents, there is no standing reward remaining open, and the committee have not possessed the power (nor desire) to have a standing reward to fit all cases of incendiarism. Only upon application of a member, and in specific cases, does the committee grant or publish any offer. The reasons for this course are obvious, and the principal one is probably all that is necessary to furnish an explanation; viz., the Board of Fire Underwriters have no wish to supersede the regular action of the laws of the country. The crime of arson should be punishable in like manner with other crimes, and in the ordinary condition of things efforts should be made by law officers to the end that justice may be meted out to the offenders. The reward which may be earned in those instances where it is offered, is only intended to stimulate their exertions for our special protection, and, generally speaking, the publication of a reward acts as a deterrent to criminals, who hesitate to apply the torch when they know such an inducement exists for their detection and prosecution.

Several remarkable instances have occurred to fully prove the truth of the latter remark. Many years ago incendiarism was rampant in Portland, and for months the sleep of many underwriters in this city must have been somewhat disturbed by the expectancy of bad news the next morning. The publication of the extreme reward in this case was deemed advisable, and proved to be quite effectual. In similar manner the torch of the incendiary seemed to be blown out after doing much damage in Santa Clara county, at numerous farms situate some score miles from San Jose. After the reward of \$500 was calculated, the attempts came to a stop, as was also the case in the summer of 1894 in the neighborhood of Galt, Lodi and Stockton.



It is not always confidently expected that the district attorney in every locality will prove competent to procure the conviction, even when the evidence seems to be complete, and in such cases it is evident that a reward must be offered, in order to procure the services of an experienced attorney to secure conviction.

An instance once happened when the chain of evidence seemed ample on the side of the prosecution, but the district attorney had a partner, and it proved absolutely needful to allow him a reward of \$100 for conviction, in order to obtain it, which was rather exasperating to the committee, but they had to submit, that the desired end might be attained.

While the committee endeavor to conform with the exact resolution of the Board of Underwriters, it is sometimes advisable to lay before the members of the arson fund, circumstances under which some indemnity should be given for valuable assistance. For example, the marshal of a large town was possessed of such a desire to punish fire-bugs, and was so successful in his arrests, that upon one occasion where he had expended much time, labor and some money to accomplish his object, upon suggestion of the chairman of the arson committee, the Board unanimously voted him a donation of \$100. Another time, a detective living in one of our fruit valley cities undertook to earn a reward, and was certain in his knowledge of the identity of the criminal. In the pursuit of him he scoured the country, including several towns in three different States and Territories besides California, succeeding at last in bringing his prisoner home. Upon the first trial the jury disagreed; at the second trial overwhelming evidence was forthcoming, and little doubt remained as to the verdict. From what was afterwards learned, some of the jury may have thought it a pity to ruin a man and cast a stigma upon a respectable family for so small a matter as burning out and trying to earn a few good dollars from insurance companies. Lengthened discussion of the subject led to an acquittal. Upon the report of the detective, detailing his work and the attendant expenses, and also upon the recommendation of several members of the Union, a suitable reward was paid on this occasion.

Only once in the history of the arson committee have they made a request for compensation where the fire did not take place or was not attempted. A sum of money was sanctioned, upon the written request of all the members of the arson committee, the general manager of the Pacific Insurance Union, and also its attorney.

This was a curious case and one that is impossible (for good reasons) to fully describe in detail, but the actual fact was that a very large amount of insurance had been obtained upon property, which, upon investigation, proved to be entirely unsalable and utterly unlikely to earn a fractional interest upon its cost. The closest possible scrutiny proved that the information received was reliable, and in this solitary instance the committee was willing and cheerful in making a certain payment.

One of the strange cases that came before the attention of the committee was that of a learned professor in the college of a California town, who burned his property on three different occasions. Twice he escaped scot-free, but on the third he was not so fortunate.

Leaving his residence in the country, and giving out his intention to stay for some time in San Francisco, he remained there a while, and then adopted the method of proceeding to another town fourteen miles distant from his house, and where he was unknown. Hiring a saddle horse, he went in the direction of his property, a short distance from which he tied the animal. On his return to get the horse he found that he had broken the rope and strayed. During the interval the premises had been fired. But for the steed breaking loose, this accomplished scoundrel would probably have gotten away again, but the accident was his betrayal, and the result was twelve years in the State Prison.

An extraordinary cause to suspect incendiarism once arose from the dislike of some members of a religious denomination to the erection of an organ in their place of worship, and but for an untoward mishap it seemed tolerably sure that a conviction would be secured.

Actuated by revengeful or malicious motives persons have sometimes addressed communications to the arson committee, designing to throw the odium of intentional fires upon the assured; discharged employees have also made similar attempts to influence the committee. Usually there has been small difficulty in uncovering these insidious attacks, though they require rather delicate handling to avoid unpleasant complications.

During the 19 years ending April, 1894, 535 rewards were issued, amounting in all to the sum of \$234,350, of which \$27,850 was paid as the result of obtaining 82 convictions. The aggregate sentences were 493 years, being an average of 6 years for each conviction.

The claim for a reward is considered perfected by evidence of arrest being furnished to the committee, certified copy of the trial and verdict, together with the receipt signed by the warden of a state prison, acknowledging that he has the criminal in durance, for the purpose of serving out a sentence.

Rewards are sometimes claimed by various persons, and it has been necessary in some instances to take a bond from the party to whom the reward has been paid, in order to avoid litigation.

G. E. BUTLER.

I can state further that in the several cases where we have paid rewards, the party that furnished the bond has always apparently proved to be the correct party, because we never had any trouble or litigation over a claim.

One other matter might be brought up in this paper, but for the time necessary to do it. When the arson committee have the necessary leisure we will probably look carefully into the laws of various States and Territories of the Pacific Coast, with a view to taking steps towards procuring some changes which will be highly beneficial to insurance companies. In one or two States the crime of

arson is a most difficult one to punish, owing to defects in the laws, especially in Washington. (Applause.)

The President—Gentlemen, this paper contains the information that I wished to develop through the aid of Mr. Butler, and perhaps knowledge that none of us possessed. The number of convictions, the aggregate number of years for which men have been sentenced, the amount of money expended by the underwriters, and the method by which these offers of reward may be secured is all very interesting. If any questions are to be asked or any remarks to be made in connection with this paper, we will be very glad indeed to have them, at this time.

Mr. A. D. Spencer—I wish to speak in regard to the suggestion made by Mr. Butler as to better legislation. One of our very local agents in Washington, who is now a member of the Washington legislature, has introduced a bill during this session to improve the conditions in that State. And only a few days since he told me he had every reason to believe that the bill would pass. I have not seen a copy of this bill, so that I cannot tell just how near it comes to meeting the requirements, but I presume it will improve matters very materially.

Mr. Fogarty—I might say in that connection, I saw Mr. Parkhurst of Portland a few days ago. He had just returned from a visit to Olympia in connection with legislation pending in the arson matter, and he had copies of two bills that had been introduced. One I think, that Mr. Spencer refers to here, was that of Mr. Foster of Spokane.

Mr. Spencer—Mr. Hanford.

Mr. Fogarty—Mr. Hanford, of Seattle?

Mr. Spencer—Yes, sir.

Mr. Fogarty—Well, Mr. Foster of Spokane was advocating one bill which was very complete in its provisions. Regarding this bill Mr. Parkhurst expressed much satisfaction, and he stated that they had every assurance that the much needed legislation in that State would be passed at this session.



Mr. Gunnison—Mr. President, I would like to mention one point in regard to Mr. Butler's statement. He evidently referred to a case with which I was connected. The officer went over several States, and said that at last he found the guilty man in Arizona, and received a requisition from that State. He stated that the prisoner had a second trial and was acquitted. That was a fact. Everything was quite correct as far as he went, but fortunately we had a district attorney in that county who asked for a third trial; and the defendant was found guilty on that trial, and sentenced to eight years in the State's prison. But that was not all. His attorney asked for a stay of proceedings for ten days that he might apply for a new trial, and talked about sending the matter to the supreme court, or something of that kind. The prisoner attempted to escape, for which he received an additional sentence of four years, making his term of imprisonment twelve years.

The President—Are there any more remarks on this subject?

The next, number five, is "Plate Glass Insurance." I asked Mr. Jno. R. Hillman to write this paper, for the reason that I have found that the subject is not clearly understood by most of the special agents, and because most special agents come in contact one way or another, with this question, and I had no doubt Mr. Hillman would give much needed information upon this subject.

Mr. Hillman—(Reading:)

#### PLATE GLASS INSURANCE.

*Mr. President and Members of the Board of Fire Underwriters of the Pacific:*

Your President, in a recent communication, requested me to prepare a paper, to be read at this annual meeting, on the subject of "Plate Glass Insurance," believing that there was no branch of the insurance business so little understood by special agents in general as that particular class. At the time this request was made I decided to not only treat upon plate glass insurance, but also to give you some information as to how large plates are manufactured; but, having put off the writing of this paper until the last moment, I find now that I have but time to treat of the subject of insurance alone.

What is plate glass insurance? It is insurance against loss by accidental breakage of plate glass, whether plain or ornamental, cut, embossed or beveled, but does not cover on window or crystal glass. This class of insurance is very simple and differs from fire insurance in many points, more



especially in that there is no danger of getting "too much in a block," and, as a whole, there are no difficulties in adjustments.

Until recent years, companies issued their policies covering plate glass for a certain value, the amount being specified in the policy, and in case of loss the assured was usually paid the amount so specified; but latterly, companies agree to *make good* unto the assured all loss or damage to the glass covered, it being provided in the policy that the value of the glass shall be ascertained at the time of breakage, the company, however, reserving the right to pay the said value or to replace the broken plate, the latter course now being usually adopted, it being more satisfactory to the assured, and in a measure, more so to the company, for several reasons:

First, because by so doing, the assured (who may oft' times be away from home) is saved the annoyance and delay in ordering a duplicate plate. Again, the glass may be broken in transit, for it is often the case that large plates must be ordered from the East, and, in special cases, must be ordered and shipped from Europe, particularly so, large bent glasses.

Undoubtedly a large number present to-day, while engaged in inspecting risks in Portland, have noticed the bent glass in the Olds & King building of that city, which is the largest bent plate on the Coast, and if broken a frame pattern would have to be made and shipped to Europe and a duplicate glass sent by sea, the cost of which would be from \$750 to \$900, transportation included.

As stated before, the value of the glass is no longer incorporated in the policy, the company agreeing to "make good" unto the owner, all such loss or damage as shall happen by accidental breakage of the glass, such as cleaning of windows, storms, runaway horses, falling signs, gun or pistol shots, stones, dressing of show windows, burglars, maliciously broken by hoodlums, or by those intoxicated, settling of the building, etc., or due to any cause beyond his control, excepting that of fire, invasion, insurrection, riot, military or usurped power, earthquakes, inundation, the blowing up of buildings, blasting operations, or caused in any way by explosives, or by being scratched or defaced, or for loss while being glazed.

As an illustration of how breakages oftentimes occur, I will cite the case of a man who, being destitute, applied at the Old and New City Hall for shelter and was refused admittance. In turning away, he informed the officer in charge that he would not kill or steal, but that they would "take him in" before morning. He walked down McAllister street to the Murphy building, and seeing two police officers, he immediately picked up a stone and threw it with such force as to break one of the largest plates in J. J. O'Brien's store. It is needless to say that he was "taken in" and the company paid the loss. A workman, while on a ladder repairing the awnings of the White House, fell, and the ladder went through two of the large front windows. It is impossible to recite all the causes of breakage; suffice it to say that, on an average, there is one loss to every seven policies issued.

Mirrors, stained and ornamental plates, are also insurable, but the particular kind of glass must be so stated in the application and policy; otherwise the assured can only recover for the value of plain glass. In replacing

mirrors, the expense of removing fixtures, as in a saloon, for illustration, must be borne by the assured.

In case of breakage, the insurance immediately ceases and the policy does not cover the new plate until so endorsed, and then only after the glass has been properly set by the glazier, for which a pro rata premium is charged to the expiration of the policy.

Under the terms of the policy, the assured must use all reasonable efforts to preserve the glass from further breakage. This is often done by the glazier boring a hole at the end of a crack, or by the use of a diamond encircling the hole, such as a small opening caused by a bullet. In case the glass, or glasses, are subject to breakage by reason of decay or warping of frames, alterations and repairs to the building, or the removal of glass, the liability of the company immediately ceases, or until said repairs are completed.

The rates of insurance are 3 per cent. on all plates under \$200 valuation, 4 per cent. on plates valued from \$200 to \$245, and 5 per cent. for those valued at over \$245. An additional charge of 50 per cent. of the premium on plain glass is made on mirrors, beveled and bent glass. On embossed, cut, lettered or ornamental lights, an additional charge of 5 per cent. on the cost of embossing, cutting or lettering is also made. As the discount on plate-glass varies from time to time, and in various locations, the list price is the basis upon which the rates are made.

The premium on plate glass in dwelling houses or stores ten feet or more above the sidewalk is one-third less than on other plates. This applies also to an upper light resting on an iron or steel bar, but does not apply when resting upon the lower glass. For the use of agents who are oftentimes unable to obtain the list valuation of glass, a premium rate book has been compiled for each size of glass up to and including those measuring 130x200 inches, so that if the assured desires to know what it will cost him to insure a glass of a certain size, the agent has but to look at his premium book and readily give an answer.

We are often asked why our premium should be made upon the list price and not the net price, for the assured or contractor oft' times receive large discounts. Our only answer to this is, that were it otherwise, we would be compelled to charge a much higher rate; and, again, this discount fully compensates the company for the expense of glazing, freight, and other incidental expenses, besides the actual cost of the glass, and which would necessarily have to be added to the rate. The salvage, or broken pieces of glass, belong to the company, and when of large dimensions are returned to the dealer, for which the company receives credit, and which also compensates them, in part, for the expense of glazing, as hereinbefore mentioned.

The rates on the Pacific Coast are uniform, the companies doing business here having formed a compact, and, to the best of my knowledge, live up to their agreement in every particular. To give some idea as to the value of glass, I will state that the plates in the White House, Phelan, Flood and Murphy buildings of this city range from \$10,000 to \$15,000 for each building. The front plate of the German Savings and Loan Society's Building is valued at about \$500 net.

While the average loss is easily adjusted, yet we are at times compelled to deal with men who are exceedingly set in their ways, and if there is the slightest *imaginary* defect in the glass, or in the thickness of the plate, it will be thrown back on our hands; for illustration, I will state that in an adjustment which the writer now has in hand, the loss was reported, and having the length and width of the glass on our records, as well as being stated in the loss claim, we immediately shipped a glass of the proper size, which, on its arrival, was declined, the assured claiming that said plate was an eighth of an inch thinner than the plate broken, and that, under no circumstances would he accept said plate or any plate unless it was full 6-16 in thickness; that we must take them for a lot of d—dolts to think that we could palm off such a glass on them; and although they lived in a mountain town they were fully able to cope with city men, the result of which was, that we ordered the glass re-shipped to San Francisco and intend sending another plate, this being entirely voluntary on our part, for the company does not agree to replace glass of any particular thickness, all glass being ordered and shipped from the factory as quarter glass—that is, 4-16 of an inch in thickness; but in a carload lot the glass will be found to be all the way from 3-16 to 5-16 in thickness, and possibly one plate in the lot might run as high as 6-16, the difference in thickness being occasioned by the glass being worked down and polished until each and every defect has been removed. A thin glass is of as much value in the market as a thick one; therefore, our mountain friends were entirely “at sea” in demanding that we should return a plate full 6-16 in thickness, for as stated before, all plates are bought and sold as “quarter glass.”

Losses are reported on blanks furnished by the company and are signed not only by the policy-holder, but by the agent, who certifies that the glass has been measured by a glazier, and also states the sizes of the broken pieces or salvage. In the same blank the local dealer gives an estimate as to the cost of furnishing and setting the glass complete; what he will allow for the salvage, and providing the company furnishes the glass, what he will charge to take the glass from the railroad depot, glaze the same, pack and ship the salvage; also states what he will pay for the salvage, regardless of doing the work or furnishing the glass. When this report or claim comes to the office complete, it takes but a moment to decide whether to have the local dealer replace the glass, or whether it will be to the advantage of the company to ship a plate of that size, the freight charges being about one-sixth of the value of the glass.

In measuring glass, care should be taken to get the exact size, including a half inch on each side and top and bottom for that portion in the sash. Those facing the street are designated as “front lights.” When in two pieces, they are designated as the “upper front light” and “lower front light.” If the building is on the corner the lights on the side street are described as being “side lights.” Glasses in that portion of the show window or entrance going into the door are designated as “return to door lights.” Glasses in the doors are designated as “door lights,” and transoms as “transom lights.”



It is quite frequent that fire insurance "specials" interest themselves in behalf of their agents in endeavoring to procure for them the agency of a plate glass company. I call this to your attention because there is no doubt but that considerable work of this kind can be done by those who are continually in the field, and who are desirous of befriending their local agents; the commission paid being 15 per cent., no portion of which can be given to the assured as a rebate.

The subject before me being one in which there are few opportunities for originalities, this paper is simply a summary of the conditions of the policy and instruction sheet to agents, and it is sincerely hoped that those who are not familiar with the subject have been benefited.

JNO. R. HILLMAN.

(Applause.)

The President—Gentlemen, you have heard this paper, if there are any questions unanswered, or any remarks you desire to make, we shall be glad to hear from you.

Mr. Hillman—I am asked as to the terms of the policy. I did not touch upon that in the paper. Annual policies only are issued on the Coast, with the exception that at Victoria, B. C., term policies of three years are issued.

The President—It is only fair to observe that the name of the company represented by Mr. Hillman has not been mentioned, and all plate glass companies issue standard policies.

The next, number six, I think we will have to pass until afternoon. Mr. Craig is not present, and I regret to say that Mr. Frank D. Brown's paper has not yet arrived, although he promised it faithfully, and I think it must certainly come in to-day's mail. We will take up one more paper, number seven, "Little Fire Hazards, and How to Prevent them," by Mr. F. H. Porter, manager of the Inspection Bureau. This paper has been placed in the hands of Mr. Smalley, who has been requested to read the same.

I want to say that Mr. Porter has also arranged for our inspection and entertainment a miscellaneous assortment of articles collected by the Fire Inspection Bureau, and at recess you are invited to examine them, especially this wooden candlestick found in a planing mill, and a candle set in a piece of kindling wood found in the building of the State Investment Insurance Company at the time that company was in operation. (Applause.)



This particular specimen with the rosin at the bottom of the candlestick, in a piece of kindling wood, was found in the basement of the State Investment Insurance Company, by the Fire Inspection Bureau.

Mr. Fogarty—Did they carry their own insurance?

The President—Of course not. Mr. Smalley will now read the paper prepared by Mr. Porter.

Mr. Smalley—This paper was handed to me only a short time ago, and I have not had an opportunity of reading it. I hope you will bear with me. (Reading:)

#### LITTLE FIRE HAZARDS AND HOW TO PREVENT THEM.

Although owing to having devoted, in common with others of our ilk, more or less time to theorizing as to the ideal compact, to the best method of conducting a general agency to the benefit of both company and manager, and to similar weighty matters, "Little Fire Hazards," except that they sometimes remind us of the inspection bureau, of wasted opportunities, had not particularly engaged my attention, so that, upon receiving the subject assigned me, I very much wished to make the familiar answer, "not prepared." Indeed your President will, I think, bear me witness, that I advanced various, and, to me, convincing reasons for being let off, at least for a year. I must always harbor a doubt as to whether the firmness with which I was held to my promise, did not arise more from the necessity he was under of gathering from somewhere a sufficient number of articles, than from any special anticipations from my treatment of the subject in hand.

A majority of little fires are to be attributed to comparatively few causes, the leading ones being matches, doubly effective in conjunction with the small boy (recent researches under a bed of a boy in pursuit of an escaped nickel cost a leading company \$150.), coal oil lamps exploded or upset, defective construction, sparks from chimneys, and cigars and cigarettes, in about the order named.

Of these causes all except the sparks and lamp explosions are simply another name for human carelessness, and I am convinced that the number of lamps that really explode is comparatively few, many of the cases so reported being upsets, while the tests of samples of coal oil said to have exploded lend support to the presumption that dirty lamps are more to be feared than the quality of the coal oil used, at least in this climate. A recent lamp fire was caused by the family cat upsetting the lamp, fires from lamps used for curling irons are more frequent than is generally supposed, a thrown lamp is a not infrequent weapon in certain localities, while from Salt Lake City hails a fire the cause of which is given as "shooting at the lamp," to which is appended the note that he hit it. A new lamp danger arises from the prevailing use of large lamps of the banquet or piano variety,

which being of metal are not to be feared as explosive, but are much to be feared from the great heat developed and the large and inflammable shades used. The metal frames supporting these shades are frequently soldered together, and the heat, which has been known to soften the glass chimney, melts the solder, and trouble begins.

The careless way in which matches are thrown about leads to some curious fires. Sacramento had two fires last year from matches stepped upon igniting gasoline, in Los Angeles again the cat did the trick with parlor matches, and from San Jose comes a tale of a looking-glass falling on matches on a stand and so causing a fire.

Fires from defective construction rarely arise from errors in design, but almost invariably from poor workmanship; again, human carelessness. The most common defects are in chimneys and flues, fireplaces, and hot air pipes, to which I feel sure we must soon add gas grates, now coming into use in large numbers, which are being installed with a reckless disregard of the fire hazard. A proper hearth is supported by a trimmer arch with no wood beneath it, but it requires a genuine mason to build it, especially if the joists are not very deep, while any botcher can lay a hearth on boards, so the latter is the popular kind with many contractors. It is a fact that practically all the fires under hearths occur where wood is underneath.

Another dangerous point in a fireplace is just over the top arch under the mantel shelf, a place only too often but partially filled. This is especially dangerous where patent chimneys are used, owing to the weight imposed upon the top of the fireplace, and an iron hood adds much to the security of such fireplaces. In fireplaces built across a corner, an additional hazard comes from the necessity of turning the flue sideways in order to reach the chimney. Sooner or latter it will crack, frequently at the point where it joins the chimney, unless the work be first-class.

A frequent piece of carelessness in building chimneys, is putting in short thimbles for stove connections. One recently found did not reach within two inches of the chimney breast, and the stovepipe never connected with it at all, but discharged into the partition with the usual result.

Defective chimneys and flues are not, however, as frequent as fire department statistics would lead one to infer. Long experience in looking for the supposed defect in order to have it properly repaired, convinces me that many fires ascribed to defective chimneys must have other origin. Certain it is that when the chimney is stripped and the mechanics are ready to make repairs, it is frequently the case that no defect can be found, and there are in daily use in this city numerous chimneys alleged to have caused fires, to which no repairs were ever made, and which are undoubtedly safe and always were.

To be secure, the walls of a chimney should be eight inches thick, or four inches with a terra cotta lining. Aside from poor workmanship, the settling of the building and too many fires for the size of the flue are most to be feared.

Even with properly constructed chimneys, human carelessness gets in its work, as was the case when a plumber, having occasion to connect a

range on one side of a chimney with a hot water boiler on the other, went through the base of the chimney with his pipes—and fire went through the same holes soon after.

Another, though less reprehensible, case, was one in which a hole having been made to clean a chimney, the owner carefully nailed over the hole the end of a fruit can. Unfortunately he used the wrong end of the can, that on which the cap was soldered, so that burning soot soon melted the solder and called the fire department. The idea was all right but the application of it a little off.

Open flue holes cause many small fires, chiefly in flats using flues in common. The outgoing tenant usually leaves the flue hole open, but occasionally, in the interest of neatness, closes it with a sack.

Wooden candlesticks, of which if left burning experiment shows that 90 per cent. will take fire, portable gas stoves, the exhaust pipes of gas engines, and swinging gas jets all contribute their quota of small fires. When rubber tubes are used in connecting gas stoves, if any air enters at the point where the tube fits over the gas pipe, there is danger that when the stove is lighted it will also light back to the point where the air enters. If then the gas be turned off at the stove only, as frequently happens, instead of at the point of supply before the gas enters the tube, the tube is quickly burned off and a lively fire results. Two fires have so started in this city.

One very curious fire or fires occurred as follows: In a building in this city, four fires were discovered at intervals of an hour or more in the same night, all on the inside of frame partitions and in three different partitions. The first fire unquestionably started in a rat's nest in a warm nook, and all through these partitions were found rats' nests containing rags, matches and candles. Whatever started the first fire, and recent experiments have clearly demonstrated both the fondness of rats for nibbling matches, and that such nibbling does ignite the matches, the later fires were undoubtedly caused by a candle or other salvage, carried by a rat from the first fire.

At the risk of being accused of talking shop, it is my conviction that the remedy lies in inspection, with its constant education of the community to avoid obvious carelessness, of the mechanic to do his work faithfully, and of his superiors to see that he does it faithfully. Theoretically it should be possible to secure good work by pointing out to property owners, architects and contractors, the dangers arising from certain cheap methods in construction, and evasions of municipal ordinances much in vogue with contractors, and winked at by architects.

These practices are fostered by the fact that some one of a certain few contractors usually gets the work of any particular architect, not through collusion, but because the architect classes certain contractors as good men and always gives them a chance to figure, while those particular contractors, knowing just what the supervision of that architect amounts to and figuring in the light of that knowledge, are able to best a contractor intending to live up to the specifications. As a result we have timbers in flues, hearths with one course of brick over boards, or as in the case of a recent fire with but a marble slab over boards, gas grates set in wooden fireplaces and similar evidences of human carelessness.



In a large building recently erected, the inspector found some forty fireplaces partially built in violation of the fire ordinance, and to save expense to the contractor, agreed, with the consent of the fire wardens, to accept them if certain changes were made. Later it was found that the agreed changes had not been made and that the work had been closed in so as to prevent further inspection. The owner of the building was at once advised of the dangerous construction, and that it would lead to a high rate and to notice being given to all insurance companies of its existence. The owner promptly descended upon the architect (who was a party to the agreement with the contractor), who in turn stirred up the contractor, and the latter had the pleasure of rebuilding those forty fireplaces at his own expense. That contractor and incidentally the architect and the owner, were "educated" at an expense to the contractor of some two hundred dollars. That is the practical way to educate the public and to secure faithful work.

Inspection during construction should be by the city building inspector to secure compliance with the municipal ordinances, by the underwriters' inspector to secure improvements in arrangement or design, and by both, in conjunction with the architect, to secure faithful work.

At other times, in addition to systematic inspection by the underwriters' inspection bureaus, much valuable work could be done by the surveyors attached to the different offices, by special agents and adjusters wherever their paths may lie, by all insurance managers and employees keeping their eyes wide open wherever their business may take them, and by the members of the police force and fire department in their daily life. The police especially, who are on certain beats daily, and have time to spare, should look after such matters as wooden ash barrels and rubbish, as a part of their duty, yet in this city it has happened that an officer reports a wooden ash barrel to the health department, which passes it on through another official to the inspection bureau, whose inspector must make two and usually more trips, possibly to Mission Road or the Park, while the officer who originated the complaint is not only on the spot daily but is clothed with the necessary authority.

As an example of what possibilities in the way of causes of fire are unearthed by inspection, copies have been prepared of an inspector's complaint card, showing just what he found in one day's work. The work on this card was completed and the card turned in while this article was being written, and it is not exceptional in any way.

In conclusion, let me hope that this hasty skit on a subject worthy of more extended comment, will not, by reason of its mention of the rambles of the rat with the candle, leave you in a frame of mind akin to that of a dear old lady back in New England, who, not being given to light literature, was persuaded by the younger generation to tackle Rider Haggard's "She," then recently published. Becoming deeply interested, she finished the book, and laying it down, remarked in a tone of conviction, "I believe it's a lie."

F. H. PORTER.

San Francisco, Feb. 14th, 1895.

(Applause:)



Mr. Fogarty—Mr. President, inasmuch as Mr. Porter is not a member of this Association, I think he ought to be tendered a vote of thanks for his very able paper. I will make a motion to that effect.

The President—It is moved and seconded that the thanks of this Association be tendered to Mr. Porter for his valuable paper. All in favor will signify the same by saying aye. Contrary, no. Carried.

The secretary will distribute duplicates of an inspector's findings in one day's work.

# FIRE UNDERWRITERS INSP. BUREAU

DIST. No. 1

BLOCK No. 97

No. 210

Entered Book 6, Page 183

Vol. I, Sh. 11

## COMPLAINTS

<i>Name</i>	<i>Location</i>	<i>Survey No.</i>	<i>Complaint</i>
Jno Doe	206-8 Sutter	4979	3d—Def. stove pipe con.
Day & Co.	220-4 “	4980	B—Repair Babcock ext'r
Jno Doe	240 “	4984	1st—Protect Range fl
“	242 “	“	1st—Open flue
“	240-2 “	“	2d—Prov. thimb. for st-pipe
Chinese laundry	244 “	4985	B—Rub. under stair, rear
“	“ “	“	B—Def. furnace
Saloon	“ “	“	1st—Ashes
Tailor	“ “	“	1st—Clean gas stove
Florist	246 “	4986	1st—Ashes
Saloon	248 “	“	1st—Ashes
Restaurant	304 Dupont	4987	1st—Protect Range fl
Gospel Mission	308 “	4989	Stove too near wall
Miss Minnie	15 Martin	4992	2d—Remove T. C.
“ Doe	rear 16 Martin	4996	1st—Protect stove-pipe
“ “	5-1/2-1/4 “	4997	1st—Def. stove-pipe con
“ “	7 “	4998	1st—Stove too near wall
Jno Doe	cor. Clara & Martin	5003	2d—Protect gas stove

Beginning of Block

## DAILY REPORT

Bldgs Inspected 25

Complaints 18

Nov. 26, 1894

J. W. BARKER,

Inspector.

Are there any remarks?

Mr. Devlin—I think Mr. Porter's paper is very valuable, especially that part in regard to matches and rats in partitions, and if Mr.

Porter were not such a large man, weighing upwards of two hundred pounds, I think it would be a good idea to refer the paper to the arson committee. It seem to me it would be a good point to catch those rats if possible.

The President—Do you feel like taking up another subject, or will you adjourn?

Mr. W. D. Spencer—I move we adjourn, to meet at 2 o'clock.

The President—It is moved and seconded that we adjourn to meet at 2 o'clock. Before putting the motion I will say that we hope to take up number six, then eight and other papers, in their regular order this afternoon. It is my desire that we shall leave as little for to-morrow as possible, aside from the election of officers and the reading of the "Knapsack," in order that we may not feel hurried as we did last year. I am anxious to have everybody hear the "Knapsack," which has always been the *piece de resistance* of the programme, and we cannot expect some of these young gentlemen to stay to the last for they feel it necessary to hurry away to don their swallowtails for the dinner, which, by the way, will be given to-morrow evening at the new Delmonico. Messrs. Spencer and Grant inform me that this is the finest banqueting hall in San Francisco, and this will be the first, and perhaps the last occasion on which we will be able to dine there, hence I urge that all members be present. If you have not already sent in your acceptances for the dinner to-morrow evening, please do so at once, in order that the committee may know how many plates to arrange for. If any of you have friends whom you desire to invite to the banquet who are connected with the insurance business, of course you are at liberty to do so. It has not been the custom to invite people who are not connected with the insurance business.

All who will favor the motion to adjourn until 2 o'clock, signify in by saying aye. Contrary, no. Carried.

Adjourned until 2 P. M.

## AFTERNOON SESSION.

The President—We will come to order, gentlemen. I am glad to notice the faces of some who were not present this morning.

The paper by Mr. C. F. Towe, Fire Marshal of San Francisco, will be read by Mr. Outcalt, at this time.

Mr. Outcalt—(Reading:)

## OVER-INSURANCE.

*Rolla V. Watt, Esq., President Fire Underwriters' Association of Pacific:*

DEAR SIR: I have received your communication asking me to prepare a paper to be read before your Association, and at the outset I would desire to say that the subject you indicated (being as it is of such vital interest to the members of the Association) ought to have been entrusted to an abler writer than myself. It is a great and important question, and while all have expended extended thought upon the subject, I am doubtful if its full solution is possible either to them or to myself, however desirable such an issue would in reality prove to be.

Though professedly deficient in this regard, I will at any rate give to the Association the benefit of my ideas upon the question of a measurable control of the crime of arson, the causes which lead to its commission, and what I consider to be the remedy (in so far as the latter is in the hands of the underwriter) for a crime so costly to your profession, and so difficult of detection and punishment.

It seems strange to me to find myself pausing for a moment in my work of prosecuting criminals of this class, to ask myself the difficult question which you ask of me. I am in the habit of going along in the performance of my duties upon the lines laid down in our code, hardly ever thinking as to what may be the real cause, but satisfied if I am able to group a few out of the many which incites a certain class of our people to its commission.

As a matter of fact, I think revenge and the hope of gain are the main actuating causes, the latter outnumbering the former. In fact only one of the former class has come under my personal observation, and he is now serving a term of seven years in the State Prison for his offense. All the others with which I am familiar, I am convinced the motive has been over-insurance, and as this is true, I will (with your permission) devote a few moments to the discussion of the question of

## OVER-INSURANCE,

The control of which would have very much more to do with the lessening of the crime of arson, than all other things combined.

It is, in my judgment, entirely correct to say that over-insurance is the incentive to incendiarism, and when you have disposed of this, you have practically solved the question.

My experience during the past nine years as Fire Marshal of the city of San Francisco has been such, that about the first question I propound is: What is your insurance? When starting in to investigate a fire which on its face looks to be one of design, I have been taught by experience to look there first for the motive. In almost every case I find that I am right; in fact, as I have before said, I rarely find any other motive present. In all convictions of persons guilty of the crime, there is ever disclosed a chain of circumstances, the chief and strongest link of which is a sordid love of gain. That over-insurance is therefore such an incentive, is a fact beyond dispute, and how best to control and prevent it is the problem which the most concerns us, and in its solution and control lies the means of rendering arson an isolated and exceptional crime in penal history, instead of being a matter of common occurrence as it now is.

To approach the question from the position occupied by the insured would be a task well-nigh impossible, as it would ever be a most difficult matter to say and then to prove, that the insured with willful and criminal intent made a valuation which on investigation disclosed itself as vastly over-estimated. The difference between the real and the represented value would indeed have to be very great, before I would feel justified in holding a person, or a jury convict by reason of this single circumstance. It would be hard to draw the line between positive dishonesty and unintentional exaggeration. The owner of goods might fairly be expected to place upon his merchandise a higher valuation than anyone else would do, and this would be only natural. To make out a complete case before a jury, however, under the criminal law, would require that an insurer went much farther beyond the mark of fair or real valuation than would under the most extreme circumstances be allowable, and even then, where might the line be drawn?

We must, I think, review this matter in its practical aspect. However certainly insurance companies may be able to protect themselves from the avarice of claimants through the operation of the conditions of the policy, there is absolutely no escape from the consequences of the unchecked crime of arson, until in its very root, branch, and substance has been eradicated, through the enactment of wise laws, preceded by that attention to the subject upon the side of the underwriter to the matter of over-insurance which he must devote to it, if he would hope to escape its effects.

The laws even as now framed, do much in the way of prevention and punishment, probably as much as can soon be expected from it, in admitting the prosecutor to employ the mere fact of over-insurance as a sufficient motive for the crime of arson. To make over-insurance a crime in itself would be adding another law to our statutes, which would surely be a "dead



letter." We are thus compelled from this state of facts, to look to the insurance fraternity themselves as the sole means to furnish the remedy. In your hands lies the power to render to yourselves and to the general public a great and valuable service, a service which can be rendered by none other, and which ought not be neglected. I think I am fully aware what answer you will make to this—that it will entail great expense, and much valuable time. But you would surely see the saving when at the end of the year you came to look into your loss-ratios, and I am fully persuaded that the resulting good would more than compensate you for whatever time and expense you might devote to it. You will not forget that while from the remains of a partially destroyed building you may gather sufficient evidence to prove over-valuation; the building which is totally destroyed offers no such chance of escape, and that there have been many such, cannot be denied. Ashes, like dead men, tell no tales, and the conclusion is thus forced upon us that the practical remedy lies not so much in long-continued and stubborn contests, not in new trials and protracted litigation in civil departments, as in greater vigilance and labor upon the part of yourselves, your agents, and solicitors; especially the latter. Teach them that the value you contemplate insuring *must be ascertained beforehand*. Teach them that the character of the person desiring the insurance must be known to them and to you through them. The mere unsupported statement of the assured is not sufficient, and should not be so unguardedly taken as is now the too common rule. Ascertain by critical investigation and inquiry not only what the character of the assured subject is, but what the character of the insured is as well. Look especially to the *solicitor*, for in my experience I have seen only too often that he is, after all, the one who should be prosecuted for arson. Many times it has come to my knowledge that the solicitor has, through the advice and arguments used by him, really caused the defendant to be brought before the bar of justice, for I have listened time after time to the story told by the defendant; how it was through the persuasiveness of the solicitor that he had been induced to place more insurance upon his property than it would stand.

I have heard it urged by this defendant that the solicitor should have been the one to caution him as to the dangerous results of over-insurance, and when I have considered that the solicitor's thought was solely as to the percentage he would receive, I have then made up my mind that he was the genuine culprit, and as such should be the one to suffer. Remember, the party effected the insurance at the solicitor's advice: hard times came, business was dull and unprofitable, and in an idle moment (hunting amongst his papers) he comes upon his policy, reads it, ponders over it, reads it again, and the seed having been sown, he thinks he sees an avenue of escape from his financial troubles by burning his property. He finally yields to the temptation, and then comes the Fire Marshal with his questions, and these he is bound to answer. The officer sees at a glance that a crime has been committed, and at once asks: "How is it that you are insured for more than your value?" The story is always the same: "My insurance **man** forced me to take out that amount of insurance." He tells the same story to the jury, and then how is it to be wondered at, what labor it is for the

Fire Marshal to break down the evidence. The attorney asks: "The insurance company took your money, did they not?" and when addressing the jury says, "They took his money and now say he is over insured." All of these things tell upon the jury, let me assure you, and I have heard it repeatedly urged in the defendant's behalf, with perhaps the wife and babe of the defendant by his side, and almost always with success. Can you wonder, then, at the labor it costs the Fire Marshal to secure a conviction?

This, gentlemen, is the only practical suggestion I am able to make. It is at any rate the only one I can offer. It would entail increased expense, it is to be admitted, but I contend that if before insuring property it be carefully appraised or inventoried we would have gone far along the road in materially reducing the number of arson cases with which the business is now afflicted.

Respectfully submitted,

CHAS. TOWE, Fire Marshal.

(Applause.)

The President—There is a supplement to that paper, a case which came under Mr. Towe's notice within a day or two, which I thought might be of interest to you.

Mr. Outcalt—Mr. Towe offers this supplementary anecdote:

(Reading:)

#### SUPPLEMENTARY.

Since the above paper was written, the following case has come under my observation, and I think it will illustrate, as it is so recent, our subject more fully, and also give you an idea of the workings of a solicitor, and to what depths he will stoop to gain his business, how devoid he is of principle.

A fire occurred on February 4th, 2:34 A. M. Saloon and dwelling. After my investigation into its cause, I was satisfied it was designed, I sent for the owner to appear at my office, and there I placed him under a rigid examination, he claimed he had a loss of about \$700, but by the time I was through, he accepted \$165. I find he bought out the place three months ago for \$450. As usual, the solicitor was on deck, urged him, as he says, to get out a policy, went over the place with him and told him to take out \$800. In looking over his policy I found a cash register mentioned; asked him where it was; said he never had one, never wanted one; found all the items over-insured. When questioned as to this, he said, "Oh my insurance man done it;" said it was right, in fact did not think he had done wrong. In getting down to him he told me his place was not worth \$800, and when I told him of his insurance he was asked to explain why he insured a \$450 stock for \$800. This answer was the same old answer that has been told me so many times: my solicitor told me to do it, and he would take care of me when the fire came; and also told him that if you only insure for \$500 you would never get over \$300 if the fire came; so let us make it \$800, as it costs but a trifle more. You will then come out even. I find by the appraiser that the whole place was not worth more than \$500, setting it at a

large figure. Is it right for a solicitor to lay such a temptation before an unscrupulous man? Is he not the real criminal? I think so. I called on this solicitor, and read the riot act to him, telling him all his client had told me. He then said, "Oh that is done all over, and I hope you will not be hard on him, but let him get a good settlement, as he is well known, and if he has trouble in his loss I will lose business from his friends." Even hoped I would be easy with him, which in my mind meant, wanted me to become a party to his actions, and would no doubt call me a good fellow if I would say nothing to him about his fire. My language to him soon told him what I thought of him, and I do indeed wish the law under which I must work gave me the power to arrest him instead of the one who actually set the fire. I pictured to him in what circumstances he had caused this man to be placed, a man who would forever be under the surveillance of this office, which I assured him was a position I would not desire to place any one in wrongfully; but all he thought of was, it would surely hurt his business if the affair got out among his friends, and begged me not to make him trouble.

Why should any solicitor conduct his business so criminally? no doubt these questions were put to him when he brought in the risk: Do you know this party? Is he a safe risk? Has he got \$800 worth in that place? I know his answer. You gentlemen believed him; you have to. You have no other way, and he knows it.

He tried to explain the cause of the fire to me, saying, "Why this man was three miles away when the fire broke out." Why was he so far away at that hour of the morning? was my question, and smiling at him I could only look at him, and it was an answer well suited to his question. He knew and felt my silence; thus for his paltry percentage he caused this man to be placed in a suspicious manner before the fire marshal, who will never forget him. No doubt that man's name will be recorded in that office, and it will not mean that he is an honored citizen. But the question again arises, Who is the more guilty? I can come to but one conclusion: the solicitor is. But no punishment can come to him, except from your own hands. Thus I show again the remedy for overinsurance as an incentive to incendiarism lies with yourselves.

The President—Gentlemen, this is rather a severe arraignment that we have been subjected to by the Fire Marshal. I presume it is justified by the facts, however. If any of you have any remarks on this excellent paper, we would be very glad indeed to have them now.

Mr. Argall—I have nothing very particular to say on this point. except that while in all fire insurance contracts it is provided that fraudulent over-valuation is sufficient to vitiate a claim, the great difficulty has always been to know where to draw the line of such over-valuation. I remember some fifteen years ago, the courts ren-



dered a decision on that very point, in which the claim was made out for three hundred per cent. of what was eventually proved to be the value of the goods destroyed, and the Lord Chief Justice—I forget who it was—ruled that a three hundred per cent. over-valuation was such an instance of fraud as *would* vitiate the policy altogether. It is interesting to know where to draw the line, whether it is to be fifty per cent., or one hundred per cent., or two hundred per cent., or more of the true value.

The President—Are there any other remarks?

There are several visitors in the room whom I will be glad to introduce to you. Mr. Philip S. Bates of Portland, Mr. A. G. Davis of Oakland, and Mr. Porter and R. R. Roper of San Francisco. We are glad to see these gentlemen with us. If there are others present not members of the Association, we will be glad to have their friends introduce them.

We have several communications which the Secretary will read at this time.

The Secretary—This communication is from Thomas H. Montgomery, President of the American of Philadelphia. It is dated on the 6th instant. (Reading:)

PHILADELPHIA, Feb. 6, 1895.

Mr. Rolla V. Watt, President:

I am much indebted to you for your kind thought of me by your favor of 31st ult., asking me to put out some thoughts for the annual meeting of your Association. I wish I could respond to this gracious suggestion, but cannot now base any promises, even, for its consideration, upon the present barrenness of ideas in my old worn head.

I might say something on your oft unpacific situations, but an outsider's views would, I am sure, not be helpful to make them in any way pacific.

I look with interest to your Association's annual meeting, for under its ægis much good for union and good practice must be developed, helpful to us all, both company and manager. I have large faith in these councils which afford busy competitors the opportunity for an honest vis-a-vis and common conference which help to soften all antagonisms and tend to strengthen the business in all essentials of good and remunerative practice. I wish I could be present with you in person and witness all the good-fellowship and listen to its papers, for I should be aided by them in many ways, I am sure.

With my best wishes for a pleasant and profitable meeting, believe me,  
I am

Very truly yours,

THOS. H. MONTGOMERY.

(President of the American of Philadelphia.)



The next is from Mr. J. Montgomery Hare of New York, United States Manager of the Norwich Union Fire Insurance Society. (Reading:)

NEW YORK, Feb. 7, 1895.

*Mr. Rolla V. Watt, President the Fire Underwriters' Association of the Pacific, San Francisco, California:*

DEAR SIR: I have the pleasure of acknowledging receipt of your notice of the nineteenth annual meeting of the Fire Underwriters' Association. With the thermometer, as I write, at 16, and a snow storm beginning, I yearn for the milder climate of your Coast. Nothing would please me better could I be present and meet the underwriters of the Pacific Coast, who seem to have been able to have discovered a way of making money in the fire insurance business. High feeding in the past seems to have made some of these underwriters frisky, but if they could have the depleting diet that we had in the East during 1893, they would become sober. I trust that you will have a pleasant meeting, and will be with you in sympathy if not in person.

Yours very truly,

J. MONTGOMERY HARE.

And this is from Thomas F. Goodrich, President of the Niagara Insurance Company. (Reading:)

NEW YORK, Feb. 5, 1895.

*Rolla V. Watt, Esq.:*

MY DEAR PRESIDENT: Many thanks for your invitation to the nineteenth annual meeting of the Fire Underwriters' Association of the Pacific.

I trust by that time you may be able to congratulate each other over a restored "union," and have entered upon a long era of prosperity.

I need not say it would give me the keenest pleasure to be with you on the occasion referred to, and if I could avail myself of an electrical pneumatic shoot, or the inevitably coming space annihilator, my good-looking Herold would be instructed to announce my coming on the overland Sun-down line, leaving New York after business hours reaching San Francisco in time for dinner.

I hope I shall not have to wait the opening of that line before seeing your beautiful Coast again.

Very sincerely yours,

THOS. F. GOODRICH.

The President—This is from one of our old Coast boys, Dave Rorick, Vice-President of the American Central Insurance Company, with whom I was formerly associated, and he was at one time connected with the Commercial Union Insurance Company in this city. (Reading:)

ST. LOUIS, Feb'y 9th, 1895.

Mr. Rolla V. Watt, President, San Francisco, Cal. :

DEAR SIR: Please accept thanks for yours *in re* the annual meeting (19th) of the F. U. A. of the Pacific. Delighted indeed would I be to again stretch my legs under their festive board, and I hope to have the pleasure of doing so again some time in the future. Never too much "booze," but always enough and of the best.

With highest personal regards, sincerely yours,

DAVE RORICK.

The President—I regret to state that the third paper, under number six, has not been received for reasons which I am entirely unable to explain. Many of you who are special agents are acquainted with Frank D. Brown of Phillipsburg. When I wrote inviting him to write on this subject, "The Special Agent From the Local Agent's Standpoint," he replied that nothing would give him more pleasure, because in his experience he had found that special agents were too busy attending to their several duties to study Otey's Manual, and he thought a local might be able to give them some points. I wrote Mr. Brown, reminding him of this paper on the 6th of this month, and we wired him last Friday, but have had no answer to either letter or telegram. The first two numbers, however, are ready. I will state that these three papers were requested in the nature of answers to the very excellent paper written by our friend Mr. Amos Sewell and read two years ago. You will remember he wrote on "The Manager From the Standpoint of the Special Agent," and his remarks were rather to the disadvantage of the manager. I concluded we would let him, that is, the special agent, see himself from the standpoint of his manager, from that of another special, and also of the local. He might, in this way, get a very good picture of himself. We will now hear from Mr. Hugh Craig.

#### THE SPECIAL AGENT FROM A MANAGER'S STANDPOINT.

Mr. Craig—*Mr. President and Gentlemen:* In an unguarded moment—I must have been a little off—I listened to the voice of the charmer, and consented to address you on the subject of "The Special Agent From the Manager's Standpoint." And I meet you with a good deal of embarrassment. I have been accustomed to speak more or less on this floor; the design of the carpet, the pictures around the

room are more or less familiar, and I always see a few familiar faces who know my failures, and how easily I am sat on; but looking around amongst these coming special agents—for from your ranks must be drawn the men who are to be the executives of the various offices, who are to hold up the hands of the managers of the future, I know that I shall have to be very careful what I say, for there is a ‘‘chiel takin notes,’’ I see, and I will have Mr. Amos Sewell, or some one, after me with a sharp stick unless I am very careful.

I have not looked into the genesis of the special agent, but I take it that he has developed from the necessities of the occasion—from the necessities of the business. Where I come from, in the Cannibal Islands, we call them inspectors, and I rather like the name inspector, in preference to that of special agent. Beginning at the time when the Secretary of one of the original Hartford companies, after he had canvassed his immediate locality, the headquarters of his company, had ground out all that was possible from the Board of Directors, and their friends and the stockholders, he looked about him for a desirable man to go a little beyond the outskirts of his immediate town and immediate neighborhood and carry with him not only the credit of the company, but the character of the company; for I take it that the special agent in all his efforts to advance the interests of the company must carry with him and represent the character of that company, and I could perhaps best illustrate that by reciting an incident in my own experience.

Perhaps some of you don't know that I was pitchforked into the insurance business. I labor under the disadvantage of not having had an insurance education, like some of you. I did not have that very desirable and useful training which comes from the desk of the office-boy, and the postal clerk, the recording of expirations, the keeping of the register—all through the various desks of the general office, until I came to the cashier's desk and close to the manager, and became a part of the office, and was able to carry out from that office to the country, or territory under his jurisdiction, all the traditions of that particular office. But only having had an experience packing lumber, and making myself generally useful at \$1.75 a day over in Oakland at the time that the company that I represent

required somebody here that they happened to know. And here again comes a point that I would like to emphasize: That the special agent gets nearest to the manager, and gets nearest to the company when they have an intimate acquaintance with each other; especially so when the men grow up in the office. From the smallest—from the lowest desk, gradually up to the highest desk. I think this a very desirable training for the special agent. I did not have that advantage, and when I arrived in New Zealand with a letter introducing me to the Board, and recommending that I should get the appointment, it was a couple of weeks before they decided that they would intrust the future of the New Zealand Insurance Company to a man who had been pitched into it accidentally, and whose only experience was in lumbering, butchering, shipping, and things of that sort, and grocery store—but when it did come, and I had a chat with the manager, he told me of the responsibility that would be placed upon my shoulders; when I got through with him I thought I had got off very cheap. I thought to myself, now if I do not require to have another interview with the manager, I will get off all right; the steamer goes in about seven days, and I will have all the rest on paper; I will have plenty of time to digest it before I get to San Francisco, and then I will be six thousand miles away; it will be forty or fifty days before they would find out any mistakes, and possibly something may turn up in the meantime. Amongst the directors was an old gentleman named Stone. He was a miller and shipping man—had a little touch of everything in the colonies, as many of the men do on this Coast. He was a man of good repute, whose word was his bond. Old man Stone was known all over the coast of New Zealand as a man of the utmost probity; one of the founders of the New Zealand Insurance Company. He was father to a number of the organizations there. However, after a meeting of the Board of Directors, he said to me: “I want to see you over at my office after lunch.” Well, Mr. Stone had been superintendent of a Sunday-school. Perhaps some of the members of this body think I never attended a Sunday-school, but I did, and I thought to myself, “Well, now, I wonder what is coming.” I had been to school with one of his boys, and one of them had given me a good licking, and I got



even by licking one of the smaller boys—I always look for a man smaller than I am when I undertake to have a row. Said he. “I called you over to have a little chat about San Francisco, and to give you a little advice. Mr. Pierce tells me he has had you up for an hour or an hour and a half. We think we know you. And I know some of your faults, and I know you are pretty headstrong. I know your father has had a good deal of trouble in training you, but I am not going to rub this thing in too deep; but above all things I want to impress upon you this, that going, as you are, to a strange place with our insurance company, and we are very proud of it, don’t be anxious, too anxious to roll up business. Don’t be too anxious, as you think, to make money. I want you to understand this: that if at the end of five years you have not made one six-pence—that was the expression—but you have established a good name for the company, we will be abundantly satisfied.” Well, after talking to me that way—“if you do no more than to establish the name of the company”—and an interview with the other directors of the Board, you have no idea what a relief that was to your humble servant: to feel that those men who were in the business so many years, who had established the company for the purpose of making money, could send a man off six thousand miles with that assurance that if at the end of five years you have established a good name for the company, we will be abundantly satisfied.

Now I take it, in considering the genesis of the special agent, that he is the most important item in the outfit, and in the instructions that can be given to the special agent, that of establishing the good name of his company is the most important. No matter what the necessities may be of his manager, and he is weak, as all men are, he has his soft points and his weak points: no one will find these out quicker than the special agent, because upon him depends the good name which his company will make away from the general office. I am sure I voice the sentiment of a number of the general agents and managers in San Francisco when I say that is about the most important thing that a special agent can impress upon the local agent—namely, the character of his company. Because special agents come and go, but the company is supposed to go on forever. Therefore, I

say one of the points that I would like to impress upon the young men who are before me, who are growing up to the positions that you expect to fill as special agents, above all others, that they will protect the good name of the company.

There are special agents in great variety. The special agent that I have partially described has grown up in the head office of the company, grown through the various grades until the position has been offered to him, it is a desirable one, and one that relieves him from the drudgery of the office, and which he can with reason look up to as a season of relief, of opportunity to distinguish himself, to meet men, to visit new places, and to enlarge the sphere of his education.

Now having paved the way for what I think to be one of the most important duties of the special agent, when he has acquired that, and accomplished that, he is the right arm of the manager. There is no doubt about that. No manager can put too much confidence in the special agent. For upon him depends the success of the company outside of the important district under the supervision of the general manager or the general agent.

Therefore I would say to the gentlemen who are before me that it is a position to look forward to, a position desirable to fill, and above all things, that is the one to bear in mind. That the company and the interests of his company are in his care, and it should be a sacred treasure. One to be guarded with all care and preserved, the good name that is placed in his hands.

Mr. Chairman, I promised you I would not write a paper but I would say a few words on the subject of the special agent and his relation to the manager. If I have not covered the ground it is my fault. It is not because you have not given me sufficient notice, but I will reiterate what I have said and leave it where I consider the special, the right arm of the executive officer, and with that I leave you.

(Applause.)

Mr. Craig—Mr. President, having done the special agent and manager in my poor way, I am now requested to do the marine man next door.

The President—We are sorry to have you go, but will excuse you. The next paper on this subject will be "The Special Agent From the Special Agent's Standpoint," by Mr. Whitney Palache of the Hartford. Mr. Fogarty has consented to read this paper, as the writer is in Montana.

Mr. Fogarty—(Reading:)

#### THE SPECIAL AGENT FROM A SPECIAL AGENT'S STANDPOINT.

In writing on this oft used subject it is not with the hope of saying anything new or original, but in response to a request to write one of a set of three papers to be read at this meeting coming from the three sources where there is the greatest familiarity with the characteristics, requirements and experiences of the fire insurance special agent.

In the first place the writer wishes to disclaim any belief in the proposition that success as a special agent requires any very remarkable gifts, rare talents, or special genius. An article of this kind is necessarily somewhat visionary and has to do with ideals. Its purpose is to suggest a type; not to describe an observed character, but to picture the embodiment of all essential qualities.

The qualities required for success in this position are the same that command success in any business or profession—namely, industry, integrity, and intelligence. It is true that these qualities are all too rare, but it would, indeed, be an unworthy calling that could dispense with any one of them. There are many things which go to influence a man's career, but these above mentioned are the fundamental essential qualities on which any true success must depend. These terms—industry, integrity, intelligence—are such common everyday words that their mere mention does not suggest their full meaning.

Hard work is the first requirement in almost any undertaking. Willingness to make physical effort, to sacrifice personal comfort, to apply unflinching energy to every task which is presented—these are some of the meanings of industry, but there are other and higher meanings. Added to physical exertion must be enthusiasm and ambition, if the best results are to be attained and if energy is not too slacken nor interest fail. When work is done in a perfunctory manner, however faithfully, it lacks zeal and soon becomes a drag upon the worker. There is a vast difference between doing mechanically what comes plainly before one to do, and in seeking constantly for wider fields, considering new methods, conceiving means other than those ordinarily laid down for the accomplishment of given ends. Slow plodding men have qualities of patience and perseverance that are often lacking in their more brilliant rivals, but thoroughness is not incompatible with originality and independence of thought. In other words, activity of mind is as important as activity of body. The one is the complement of the other.

In his absence from the immediate supervision of his superior officers and in the removal of the restraints which follows a life of travel spent princi-



pally among strangers, the special agent needs, on his own account as well as on that of his employer, that he have moral strength and courage. His temptation is much more to sins of omission than to those of commission. It is, so often, easy to content one's self with superficial work, trusting to ready pen or tongue to find a substitute for exact and complete information. Such slighting of work arises from many causes other than laziness or indifference. Often a man is fatigued with a long trip; home cares seem to call him; he is impatient for comforts which the road denies him; finally the duties required of him often seem trivial and unimportant. The cause last named is, in the writer's opinion, the most potent of all in influencing a man to skip or slight the work which lies before him. Only high purpose and conscientious devotion to duty can help him here. His best guide to the proper conception of his duty is to stop and ask himself what he would expect of a man in similar circumstances if the positions of himself and his principal were reversed. When once he is convinced of the proper course, he is a weak man and untrue to himself if he allows himself to swerve from the path which his conscience tells him is the true one. Let him not deceive himself with sophistries nor disguise to himself what, in his own heart, he must recognize as remissness or self-indulgence. Self-examination is often most useful and if one is not candid with himself he will often be mislead and find himself unconsciously wandering far from his ideals. When the temptation comes to deceive others, let him well consider whether he is not doing greater violence to his own sense of right and manhood than any possible gain can compensate him for. All these are some of the considerations which must go to define integrity.

Intelligence is a broad term which is intended to cover mental qualities. No one word can express these, but an incident which Dr. John Brown relates in one of his famous essays gives the pith of the whole thing. A famous painter, at work in his studio, was interrupted by a pupil with the question: "With what do you mix your colors to produce that peculiar effect?" Without ceasing his work the master answered, gruffly: "With brains, sir!" This is the material which must be "mixed" with the other requirements to achieve success in any undertaking, great or small.

The work of a special agent does not call for a very high order of intellectuality, but good hard common sense, ability to think quickly and comprehensively, and to reach prompt conclusions are prime requisites. In comparing careers of different men one sees that diligent and conscientious work often falls short of the highest reward because of the absence of the element which the painter so tersely styled "brains." Upon the manager rests a heavy responsibility in this very connection. Too often the special agent is left with too little discretion. He is treated as a machine to be operated by the will of his employer and not as a trusted officer to act as his best judgment dictates. The manager can not expect to have thoughtful, intelligent work done unless he leaves some scope for independent thought and action. His aim should be to make the special agent *think for himself*. The occasion is sure to arise when prompt, decisive action is necessary, and delay or hesitation forfeits an opportunity. No time is given for consultation with nor reference to superiors, and a man cannot properly meet an



emergency of this kind unless his previous training and habit of mind make him not only able and willing but *free* to act on his own responsibility.

But, beside these personal qualifications, there are other important considerations in describing the career of a special agent.

The interests of the manager and the special agent are closely allied, and it is of the utmost importance that there should be the most complete mutual confidence and respect. The best results certainly cannot be obtained when they treat each other "at arm's length" and are not fully prepared to assist and support each other. There can be no more unfortunate condition of affairs than for a special agent to be visiting his agents with either apologies for or complaints against his principal. Hardly less deplorable is it to see a special agent laying out certain lines of work for his appointees and having his plans all upset by contrary instructions from the home office. In either case both the office and its traveling representative lose dignity in the eyes of the agents, who are kept in a constant state of uncertainty as to the wishes of their principals and can have little satisfaction in conferences with a special who is so plainly out of harmony with the office he represents. When a special agent is perfectly sure of the support and unwavering backing of his principal, he works with a sense of assurance and confidence that in itself is an element of strength. If the manager is not prepared to give his special the fullest degree of confidence he either has selected the wrong man or he puts the position on a very low plane and makes it a cheap and irresponsible office.

The traveling representative of a company should reflect, as nearly as may be, the character of his principal and the methods and habits of his office. His influence is largely a personal one with the agents he visits, but it does not become a permanent, forceful thing unless it bears with it some sense of his authority and a recognition of the real power supporting him. This influence cannot be exerted unless the special agent, on the other hand, also recognizes and sustains the dignity that should properly belong to his office and his powers. Unless he respects his position he can not command respect for it from others.

As the special agent should reflect to the agents the management he represents, so he should be able to present the agents to the view of his principal. To do this he must *know* his men. This knowledge is not to be gained by mere sociability and friendliness. It requires study and thought. In order that the manager may deal intelligently with his various agents, he must know them individually and for this knowledge he must depend principally upon his special agent. He can judge to some extent from the general tone of the correspondence and the work submitted by the agent, but information as to his capabilities, habits and temperament is also important and can be gained only by personal contact with the man. This, then, is one of the most important duties of the special agent, and to achieve success in this line of work it is necessary that his be a strong personality. In order to *receive* impressions he must *make* impressions, and from contact with a man carry away a distinct presentment at the same time, leaving his own imprint upon the mind of the other. Too many have the notion that a special agent should be of stuff so yielding as to shape itself to any form

of character with which he comes in contact. This is surely a false view for such material must lack strength and firmness. Tact is essential, but, while manner of approach must change, the man himself should always appear intrinsically the same. Otherwise he is not himself, not genuine, but acting a part, and an influence acquired in this way can not be permanent.

The habit of mind, the manner of speech, and the rules of conduct which belong to the true gentleman, conceiving the word in its highest sense, are the qualities which provide the best approach to the majority of men, be they refined or rough, educated or ignorant, noble or common. Let managers look to this and see that their representatives worthily represent them, both in character and in ability.

It is not the purpose of this paper to discuss the technical duties of the special agent. These are various, but to them all the same qualities must be brought. Whether he is cultivating an agent, inspecting a risk, or adjusting a loss, let him but have for his aids industry, integrity, and intelligence, let him respect himself and his position, let him remember that he is performing work worthy of a gentleman, and he will not fall far short of fulfilling his entire duty.

WHITNEY PALACHE.

(Applause.)

The President—Gentlemen, I am sure that the universal opinion of that paper will be that it is a very excellent treatise in reference to the character and duties of the special agent. I am sure there are those here who will desire to make some remarks on this subject.

Mr. Gunnison—I would like to say that in the absence of Mr. Palache, I think addresses are not sufficient to express our appreciation of such a paper as that. I would therefore move that the vote of the Association be given Mr. Palache for his very worthy and excellent paper.

The President—It is moved and seconded that the thanks of the Association be tendered to Mr. Palache. I do not know that this is exactly in order.

Mr. Gunnison—I think it is; that has been done.

The President—Are you ready for the question. All in favor of the motion will signify it by saying aye. Contrary, no. Carried, and it is so ordered.

Are there any remarks? We have had very little discussion in reference to the several topics before us. The first address on this subject should have developed some discussion. We have with us several managers—Major Christensen, Mr. Craig, Mr. Boyd, Mr.

Driffield, Mr. Pope, and others. I would be glad to hear from these gentlemen on either of these papers.

As there appears to be no one wishing to speak on the subject, we will pass to the next number. I think that no *manager* could have any more completely set forth the special agent from the manager's standpoint than Mr. Palache did; he took up Mr. Craig's line of argument, you will notice, almost to the letter, and carried it further than the latter did. The point Mr. Craig made—that the manager and the special agent should be on very intimate terms—I regard as very important indeed. It seems to me that there ought to be the utmost cordiality and confidence existing between the two. If Mr. Craig's idea, and Mr. Palache's also, that the special agent should as far as possible represent the character of his company and his manager, prevailed, his work in the field, I imagine, would be always acceptable.

Mr. Driffield—Before adjourning for lunch, the papers prepared by the members of the Clerks' Association were submitted to a committee, and they are ready to make a report whenever it is in order.

The President—We will hear the report of this committee.

Mr. Driffield—There being only two papers submitted for comparison, the question as to the better of the two has been decided. There is one paper, entitled "The Influences Prejudicial to Fire Insurance Interests," which is of considerable merit and full of thought, and well written, and owing to its rather unusual length, the committee would suggest that this paper only, of the two, be read, as it is even longer than the ordinary papers submitted by our own members. Of course, if you desire to hear the other one, it can be read as well.

The President—You have heard the report of the committee. What is your pleasure, gentlemen? For the benefit of those who were not present at the morning session, I will state that at a meeting held early in the year it was decided that we should invite the Insurance Clerks' Association to write papers and submit them to a committee of this Association for examination, and that the best of those papers, so submitted, should be selected and read at this meet-



ing, and printed in our proceedings, the idea being to encourage the young men in their literary efforts. Our offer has resulted in two papers being sent to us, which have been referred to the committee, of which Mr. Driffield is chairman, and of which committee you have just heard the report. What is your pleasure?

Mr. Gunnison—I would move that the report be received, and the suggestions be adopted.

The President—It is moved and seconded that the report of the committee be received and adopted. All in favor will signify the same by saying aye. Contrary, no.

It is so ordered. Mr. Driffield, will you read the paper?

Mr. Driffield—Mr. President and Gentlemen: (Reading:)

#### INFLUENCES PREJUDICIAL TO FIRE INSURANCE INTERESTS.

The business of fire insurance is one which is peculiarly beset with influences and conditions prejudicial to the interests of him who undertakes to travel over its thorny path; influences working strongly in opposition to the natural tendency of intelligent man to improve and elevate his profession; conditions tending ever to increase the obstacles, the pit-falls in his way, and make traveling at times difficult and dangerous. The mere chances of profit or loss, common to nearly all vocations, are not here referred to. A minute analysis of these influences is not necessary in order to reveal the disagreeable fact that those who are engaged in the business are themselves largely instrumental in bringing about some of its bad features, by being too readily induced to forsake the beaten path of experience, and to branch out into a wilderness of long credit, open insurance, unlimited privileges for the assured and curtailed rights for the company.

Of the evil influences operating from within the business, many are susceptible of eradication. Compacts and tariff associations, though formed primarily for the purpose of making and enforcing rates and commissions, should also be given jurisdiction (as is the Board of Fire Underwriters of the Pacific) over several other matters, such as limitation of credit, and policy forms and conditions. Many of these rules, however, should be unnecessary; common sense and business judgment should prompt an underwriter to decline, for instance, to issue a blanket policy, or to grant permission for a mill to shut down for an unlimited period, and without a watchman. But that business judgment, unaided by ironclad rules, does not operate to a sufficient extent to prevent companies from writing policies in a loose and ill-advised manner, is amply evidenced; for example, by the large numbers of dangerous mortgage clauses originated by loan and investment companies and other money lenders, and accepted by insurance companies, and by which the rights of the latter are subordinated to the pleasure of the former. Every insurance man knows the value of the contribution and cancellation features of the mortgage clause, and that they were included because it



had been the experience of insurance companies that such protective measures were sometimes found a vital necessity; and yet how often both of these features are lacking in the printed forms reported to the companies. Some mortgage clauses give the mortgagee thirty days' grace after notice of cancellation. The fact that such clauses are printed, is proof positive that mortgagees experience but little difficulty in securing insurance under the conditions imposed therein, the companies being unwilling to make a united stand against this growing evil. If sound business judgment is impotent in this matter when opposed by competition, would it not be advisable for the Board of Underwriters to regulate forms of mortgage clauses? Does it not appear to be of more importance than the regulation, for example, of the form of a policy covering contents of a dwelling? To put such a rule in practice would possibly be a somewhat difficult undertaking, but probably not much more so than have some of the radical changes in forms accomplished by the Pacific Insurance Union.

In like manner the open insurance evil has in late years assumed greater proportions. Policies in which the amount of other insurance is limited are the exception. In these hard times, when the moral hazard is greatly developed, and especially in sections where incendiarism is of frequent occurrence, a limit of insurance according to value would protect the companies against many an ugly loss. To find a remedy for this evil is a more difficult matter than is the case with faulty mortgage clauses, and it is probable that it could not readily be corrected by the Board. The practice could undoubtedly be improved, however, by the companies themselves, by requiring local agents to give more attention to it, informing the company of the value of, and amount of insurance on every risk, and wherever possible, placing a limit on the amount of other insurance permitted. In the case of stocks or other property, the value of which is frequently changing, the limit might be enforced by including in the policy a three-fourths or four-fifths value clause. No intelligent underwriter would attempt to belittle the importance of such safeguards, but if questioned as to the cause of his ignoring such defects, would probably explain it by calling attention to the great extent to which an effort to correct them would increase his correspondence. No doubt there is much reason in this argument, for probably eighty per cent. of the daily reports received each day would bear criticism in the matter of lack of information concerning the risk and assured, if not because of faulty wording and construction. Correction of such methods must be made by educating the local agent, and this can be most readily done by the special. It is not sufficient to call his attention to the proper method, he should be made to understand the reason, and to see that when the manager writes him to answer the questions printed on the daily report form, or to state exactly the amount of other insurance, he is not overcrowding the business with an unnecessary amount of red tape and detail, with the sole purpose of harassing the agent and making life a burden to him, but is endeavoring to secure information absolutely necessary in order to form an intelligent estimate of the adequacy of the rate, and the desirability generally of the risk. The field of observation of the local agent is too limited to expect him to appreciate the importance of many of these details,

without his being educated up to it. His natural tendency is to construct the policy loosely as regards the company's interest, but to include a full set of permits and privileges for the assured; in fact anything the latter asks for, as, for instance, did the agent who, when writing a church risk for an orthodox Methodist parson, added the clause: "Permission granted to preach the doctrine of eternal fire without prejudice to this insurance."

Probably the greatest evils arising from within the business, are the paying of rebates and excess commissions, and extended credit. These disorders it is within the province of "compacts" to correct, and it is probable that the Board of Fire Underwriters is doing everything possible to stamp them out on this Coast. This should not be so difficult a matter as it is, when the discord and demoralization resulting are so very apparent to all in the business.

But, adopting a course of argument contrary to custom, having investigated the effects of certain influences, the questions arise, what are the causes of all these evils? and why in a profession in which is found so much intelligence, are they not stamped out? Unquestionably, competition is mainly responsible, the agent or manager being often willing not only to divide the premium, but also to sacrifice some old established safeguards of conservative underwriting at the pleasure of the man with a risk to place. And these irregularities of the business will never be stamped out, until such time as the companies will make a *united* and *firm* stand against them. Probably in no business is competition naturally so unlimited, so free, as in fire insurance, because where the conditions are so multitudinous, so ever-varying, no man can positively quote the cost of the commodity he is selling. When the phases of the business are different in every town, according to the class of the population, construction of the buildings, adequacy of fire protection, prosperity, resources, climate and topography, different in every class of risk, according to the hazard of processes carried on, of combustibility, inflammability and susceptibility to damage of various stocks and properties, varying at different periods with the introduction of new hazards developed by scientific discoveries and inventions, with the rise and fall of market values and the briskness or dullness of the times, changing with the assured, according to his moral reliability, his carefulness, and even his bump of order—where the business is capable of such an ever-varying, kaleidoscopic combination of conditions, so that the experiences of no two companies and of no two periods agree, what man can draw the line which divides profit from loss? What man can say: "Below this point that risk can not be written with profit to the company?" Therefore, in a business, the varying conditions of which render the probability of profit or of loss so great an uncertainty, what wonder is there that one competitor in the race for business will underbid another in rate, or in the matter of safe construction of the policy. As before stated, united action on the part of all the companies is probably the only effectual remedy.

But, as if the underwriter had not troubles enough within his business; as if conflagrations great and small, "compact" squabbles, cuts, rebates, non-payments, defaulting agents, broker parasites, and clamoring stockholders would conspire to make the fire insurance man's cup of happiness

too full, and in order to offset in some measure the felicitous state of blissful contentment to which these joys might raise him, the dear public, in the many ways known to them, impose an occasional penalty. They require large deposits in some States, and then impose taxes and licenses, State, county and municipal, which are properly met by increased rates. They legislate in many ways adversely to insurance interests; pass valued policy laws, in order, as they claim, to force these "soulless corporations" to meet their obligations, and to stamp out incendiarism by necessitating an inspection and valuation before the fire, whereas, it is a matter of record that such laws increase incendiarism by affording protection to the man who wishes to sell out to the insurance company for more than the value of his property. They make anti-compact laws, in order to crush out these "grinding monopolies, trusts, pools," and to protect the public from what they call "their grasping methods," whereas, it is capable of proof that the maintenance of adequate rates is as important to the public's interest as to that of the companies. The credit of the merchant, the security of the money-lender, the safety of the property holder depend on the maintenance of fire insurance rates on a profitable basis, and that they are not kept too high, is amply demonstrated by the resulting figures. They pass laws for mutual insurance companies, thus sowing the seed for the growth of what has often proved a source of great loss to the insuring public.

Besides these familiar bills, introduced at nearly every session of the legislature of many States, there is generally a motley collection of grotesque bills presented, the main object of whose promoters is to make it warm for the insurance companies. A complete syllabus of these legislative curiosities would be amusing reading matter for the underwriter, but a painful commentary on the intelligence, and perhaps honesty, of our law-makers.

In the matter of taxation, insurance companies have been very unfairly dealt with by many States. A table published by the National Board of Fire Underwriters in 1892, showed the average percentage of taxation to net premiums, after paying losses and expenses, to be 21.49, taking the States together for the eleven years ending with 1890. This figure, be it understood, does not include special taxes, licenses and fees imposed by States, counties and towns, and of which there are so many, as evidenced on this Coast. Many of the States tax the companies on their gross business, thus requiring them not only to pay a percentage on their expense account, but also on that portion of their receipts which must be paid out in losses. This method shows a strange result in several States; one case will sufficiently illustrate: In North Carolina, there is a tax of two per cent. on gross premiums, which (according to the table referred to above) resulted in the eleven years ending with 1890, in a tax amounting to \$91,700, imposed on a business showing a *loss* of \$124,426. Similar bills have recently been introduced both at Sacramento and at Salem.

But, as if all this persecution were not sufficient, they add insult to injury, and denounce, through the press, companies and their representatives alike in no uncertain terms. It is popular; it takes well with the masses to heap up invective on the corporation. An Albany, Or., paper says:



"The Pacific Insurance Union is a combination of San Francisco stock-jobbers and manipulators of trust," and it says of the man who defends these "confidence sharpers" that "there should be a law to handle him, as accessory to highway robbery." A Fresno paper refers to a time when all members of the Pacific Insurance Union will be "sizzling" in a region commonly reputed to be hotter even than Fresno. These encouraging sketches can generally be found in the local newspapers, shortly after an increase in rates in their section.

But, again turning from effect to cause, why are insurance companies selected as the objects against which are directed the shafts of popular prejudice? And is such antagonism merited? Undoubtedly a prominent factor in the feeling against insurance companies is the very general aversion to moneyed corporations; and this influence is reinforced by a failure on the part of the public to understand the many peculiar features of the business, and by their overlooking the fact that most companies carry on a business similar to banking institutions, by investing their assets in interest-bearing securities. How often you have to explain to the man at your counter that there are other sources of revenue from which your company draws, in order to pay dividends to stockholders, besides the three-year premium which he pays on his cottage! He has an uncontrollable antipathy to dividends (he is not, himself, a stockholder).

Nearly every policyholder considers his rate too high; he can not see how his property can possibly burn; he is a very careful man, his establishment is the best constructed and protected in town, and he has never had a fire in all these years. The company could well have afforded to insure him for the bare expense, for they have never been called upon to pay him a loss. He forgets that in insurance the many must pay for the few, and can only see that the company is paying big dividends, and that his rate is higher than some other fellow's, back East. The originators of the Universal Mercantile Schedule, believe that the adoption of that system of rating would greatly lessen the antagonistic feeling toward insurance companies engendered by the discontent of policyholders with the rates charged them. There can be but little doubt that this beneficial result would follow an application of the schedule, as it would enable a company to demonstrate to the applicant for insurance that his rate was made on strictly scientific and equitable principles, each defect being charged for, and credit being given for each safeguard, each feature calculated to reduce the fire hazard.

The application of the co-insurance clause, has produced much hostility toward the companies, especially in some of the Eastern States, where it has been more generally used than here. No man likes to be coerced into carrying a certain amount of insurance, in order to reap the full benefit of his policies in event of partial loss. The Universal Mercantile Schedule is calculated also to overcome this source of friction, by formulating its rates on a basis of 50 per cent. of insurance value, deducting from this according to scale for greater insurance, and similarly adding for smaller insurance, thus allowing the applicant to choose his rate, according to the wholesale and retail system of mercantile business. Perhaps even a better method is the one advocated by some underwriters, of commencing with a maximum



rate for policies with no co-insurance clause, and deducting from this according to a scale for each 5 per cent. additional insurance guaranteed, commencing with 55 and extending to 80 per cent., thus avoiding the necessity in risks on which is carried less than 50 per cent. insurance to value, of adding to the rate, a proceeding which generally causes friction.

No doubt an important cause for the popular animosity shown insurance companies is the resistance of claims against them. And this result is almost certain to follow to some extent, whether the claim is an honest one or not, except in instances where crime is so clearly established as to prevent even the local newspapers from taking the part of the assured. It is a notable fact and a very unfortunate one, that neither the average newspaper, nor individual appear to be able to discriminate between the reputable insurance companies and those frequently termed "wildcats." Whenever one of the latter refuses payment of a claim, the case is held up to public notice as an evidence of the villainy and depravity of the insurance profession at large. It is not intended by this to maintain that just claims are never contested by the companies of good reputation, for unfortunately this has sometimes occurred, but cheap insurance, low-class mutuals and wildcats generally, will be found responsible for much the largest proportion of honest claims resisted; yet each one of these is the signal for a round of abuse from the public and press, directed at all insurance companies, and probably a large crop of "cinch bills" at the next meeting of the legislature.

The most deplorable result of the popular hostility toward insurance companies is met with in the courts, prejudice being not only evident in the findings of juries, but also in the decisions of judges. It is, perhaps, natural that, other things being equal, there should be a favorable inclination toward the individual, as against the corporation; it is justice, that where there is ambiguity in the phraseology of the contract, any discrimination should be to the advantage of the party who did not frame it, but cases are not rare in which law, justice, equity and good sense have been disregarded, and the decision rendered for an assured who had nothing to recommend his case, except his being the weaker party.

A careful consideration of the conditions operating adversely to the interests of fire insurance companies, results in the conclusion that their combined influence results in a tendency for the profession to degenerate from conservative underwriting to a mad rush for business. The fact which saves it from such a fate is that in its ranks are enlisted a large number of men of intelligence and brains. Coming near, as it does, to the higher professions, in the amount and diversity of knowledge requisite for the conduct of scientific and successful underwriting, it is ever weighted down by its indefiniteness, and the naturally absolute freedom of competition peculiar to it. Its unwholesome practices and conditions are felt and understood by all engaged in the profession; they discuss and write upon them, appoint committees to investigate them, pass resolutions condemning them, and forthwith underbid each other in these very matters, in order to obtain a risk. The only remedy for this condition of affairs is *union*, and an *honest union*. When insurance companies can maintain a united front, the evil methods of the business can be one by one overcome. But when may this

millennium be expected? Present indications would lead to the belief that there must first be a loosening of the artificial bonds of competition, until many have given up the fight and retired from the lists, those remaining being forced to unite for self-preservation. It would be an exemplification of the doctrine of "the survival of the fittest."

T. DANFORTH BOARDMAN.

(Applause.)

The President—This young gentleman is evidently very loyal to his employers, having covered the ground very thoroughly and having defended the companies on every point.

Mr. Folger—Mr. President, the committee, of which I was one, was of course ignorant of the name of the writer of either this or the other paper, and preferred to remain in ignorance of it until the decision should have been reached by the Association, but during the reading I made application to the Secretary of the Clerks' Association to give the name of the writer, and with his permission, I take pleasure in announcing that this paper was prepared by Mr. Thomas D. Boardman of the Ætna office.

(Applause.)

The President—His name will be attached to the paper by the Secretary in the printed minutes. Are there any remarks? If not, we will hear the second part of the subject on which Mr. George P. Low is to furnish us a paper: "How to Inspect Electrical Plants and Power Houses." His first subject will be treated to-morrow morning.

I wish to say that we are to have a paper by Mr. Ed. Niles on "Inspections," which will be read by Mr. George F. Grant following this paper.

Mr. Low—The Inspection of Electric Light and Power Plants.  
(Reading:)

#### HOW TO INSPECT ELECTRIC LIGHT AND POWER PLANTS.

The inspection of electric light and power plants is not a simple, nor yet a difficult process. It is not simple in that a knowledge of a few electro-technical facts is necessary; it is not difficult in that information concerning such facts may be readily imparted—to do which is the object of this brief paper.

Let two great essentials to safety be understood: First, each interior circuit or wire must be so placed as to preclude its being "opened" or broken; and, second, each such circuit or wire must be so placed that the

current can not leave its own conductor for any other that may be presented.

The first essential is principally violated by the loosening of screws, bolts or other joints designed to permanently hold current-carrying parts of electrical equipment in hard and intimate contact, for "loose contacts" cause extraordinary increases of temperature in conductors that are sufficiently large under normal conditions to carry many times the volume of current that will do mischievous heating. To use an analogue: if a wire cable be rapidly drawn through a frictionless runway or pipe by an irresistible force, no heat will be generated in either cable or pipe; but dent in the pipe so that a point of friction will be created and heat will be generated according to the energy absorbed in overcoming the friction, and if necessary the entire energy of the cable will be spent in overcoming the barrier—irresistible motion will be converted into irresistible heat and the cause of the friction will be burned away. The occurrence of a loose contact in an electric circuit interposes a resistance or an electrical friction which must be overcome, and again, an irresistible force in overcoming friction is transformed into irresistible heat, with consequences dependent upon the surroundings.

To continue the analogue yet further, if that cable, moved as it is by an irresistible force, is clutched by an obstacle that is unaffected by frictional heat, but one result will follow: the cable itself will be heated or even consumed by its own energy. In electricity, if the conductors in loose contact or otherwise become separated, forming an "open circuit" or an absolute separation, an air space of infinitely high resistance is inserted in the circuit; the air is altogether unimpressionable, the current flow is not to be resisted, and in the hissing, vicious electric arc of immeasurably high temperature which leaps across the severed terminals, is seen an electric *cable*, seething or finally dissipated in the terrific heat generated by its own energy in overcoming the resistance offered to its passage.

An effort must here be made to eradicate a false, though prevalent, idea. The days when overloaded or over-heated wires will be found in important electric stations, are over, for the station manager now knows that it wastes thousands of dollars worth of electrical energy annually to keep the conductors in his station at fever heat. To illustrate: In my personal practice I once found an instance where the expenditure of \$300 annually effected an annual saving of over \$1,600 in electrical energy wasted in the useless heating of wires to only a moderate temperature. The station manager of to-day understands why this is so and his regard for efficiency will do more than is necessary to eliminate the hazard popularly supposed to be due to overloaded wires. If wires heat, look for a "loose contract," but waste no time by searching for overloaded wires in any plant of particular importance, for you will never find them.

A study of the second essential to safety, or that requiring the placing of interior circuits so that the current carried is prevented from leaving its proper circuit, leads the mind through a similar course of reasoning. This essential requires the use of such materials and workmanship as will preserve each circuit free and independent from every other circuit; or, in yet simpler words, circuits must be physically and electrically separated each



from the other. The term "physical separation" is self-explanatory, and to accomplish which is a matter of ordinary mechanical work that any one may execute; but the term "electrical separation" expresses quite a different condition. Two nails driven into a wooden beam ten inches apart are physically separated, but it does not follow that the nails will be electrically separated. The beam may be well seasoned and dry; in which event the nails may be electrically apart, or if it be perfectly dry in its normal condition, a warm gust of air or an atmospheric change may precipitate a film of condensation that would reach from nail to nail, and which would at once render them in electrical connection. Or, again, the wooden beam may be unseasoned, or it may be wet from local conditions, or its pores may have absorbed moisture even from the atmosphere, which in either event would destroy the electrical separation of the nails by establishing a path along which current could travel between them. Naturally this path, being, so to speak, new and untrodden, will be a poor one; or, in electrical terms, it will constitute a high resistance "leakage," and if current be made to flow from nail to nail, once more the irresistible electric cable encounters resistance, frictional heat is generated and the wood is ignited. Clearly, then, the physical separation of electric circuits does not form adequate protection. Nevertheless it is necessary.

Electrical separation in wiring is commonly effected in three different ways, viz: (1) By air spaces, (2) by the insulating coverings of wires, and, (3) by the use of insulating supports, such as glass or porcelain insulators. To discuss these features at length would be redundant, as they have been exhaustively treated in the various papers heretofore read before this Association, but a few points are worth reviving: An inch of air is practically as good a separation as ten inches of air, provided the wires are so placed in each instance that they cannot be brought into contact or otherwise "crossed." The greatest enemy to safety in wiring is moisture, and the only flexible and durable material having high insulating qualities that will withstand moisture is rubber or the compounds allied to it. These should be used exclusively for the insulation of all inside wiring, despite their inflammability.

Wires should never be permitted to touch anything save their insulating supports; hence it follows that insulating tubes or bushings must be used wherever wires pass through walls, floors or partitions of any description. The hazard of wood base cutouts, switches, etc., is so well understood that there is no occasion for making further effort to show the necessity for invariably ordering their immediate removal.

It is advisable that the switchboard should be constructed of marble or some equally non-inflammable material, but wood may be used with safety if all instruments are: (1) mounted on marble or slate bases, (2) if all wiring is constantly exposed to sight, and (3) if there are no concealed spaces about the switchboard. Aside from these particular requisites, safety in switchboards consists not only in avoiding loose contacts and open circuits, and in maintaining perfect physical and electrical separation between conductors, but in preserving the switchboard absolutely sacred for the uses for which it is designed. To use the back of the switchboard as a locker for



storage of supplies or as a wardrobe in which to hang clothing, is a sacrilege never to be tolerated. Above all, absolute and scrupulous neatness in and about the station is necessary.

It is not the province of this paper to deal with those features of inspection which, by their nature, are purely within the domain of the special agent of the compact surveyor, which affords a reason why no reference is made to those details in the inspection of electric light or power plants that pertain to all mercantile or manufacturing risks as well. The matters of fire protection, building construction, water supply, elevators, stairways, storage of supplies, oily floors, waste cans, etc., require no special consideration beyond pointing out the facts that electrical supplies in themselves present no features of unusual hazard, and that inasmuch as oil is one of the best insulating materials known, it must not be considered as offering any of the hazards peculiar to water or dampness. It is a fact that with exceptions of this nature and such as are herein indicated, that nothing is presented in the inspection of an electric plant that is not met in every manufacturing risk containing rapidly moving machinery, oily floors, and more or less readily ignitable material. In fact from the fire underwriters' standpoint the similarity between a properly conducted electric light or power plant, and a well designed cotton or wollen mill is marked.

Thus far it appears as though the opinions expressed to the effect that the generation of electrical energy produces ozone in such quantities as to warrant the branding of electric stations as eminently hazardous, are based on theory rather than as a result of practice or actual investigation. It is true that fires occurring in electric stations have enveloped the whole structure with great rapidity, but there seems to be no well grounded reason for laying emphasis on the belife that rapid or quick fires are more peculiar to electric plants than to other manufacturing risks.

In this connection a general analysis of the causes of fires in electric stations, and which have come under the knowledge of the writer, will afford an idea as to those points in central station practice requiring special attention:

Cause 1. Fire crept from the ash boxes under boilers to an adjacent pile of sawdust used as fuel.

Cause 2. Drunken fireman fell asleep and station set on fire by burning embers dropping from door of fire box or from ash box.

Cause 3. Presumably from pile of excelsior, paper and other litter which had been allowed to accumulate in store room.

Cause 4. Presumably spontaneous combustion from oily waste in pockets of clothing hung behind switchboard.

Cause 5. Globules of melted copper from the brushes of a defective dynamo, dropping upon the oily floor.

Cause 6. Loose contact in low potential incandescent lighting conductors.

Cause 7. Loose contact or open circuit in the wire connecting a lightning arrester to ground.

## Cause 8. Accumulation of oily waste.

It is not to be presumed that I can offer a single word of advice to the insurance surveyor on the proper method of procedure to inspect a manufacturing risk, but when he comes to an electric station, I would admonish him to remember that he is still dealing with a manufacturing risk, concerning which there is nothing to be considered as bewildering, mysterious or supernatural. Let him apply a homely simile to everything; let him remember that an arc lamp, for instance, is but an open flame that occasionally drops flakes of hot carbon or globules of heated copper. Above all he should never be reluctant to apply to his electrical adviser for any information he may desire. You have no room in your heads for volts, and ohms and amperes and kilowatts, but you have room for and can and must learn that each and every electrical condition or effect has a simple analogue, that when properly expressed, will clear every ambiguity from the horizon of electrical inspection.

(Applause.)

The President—The mover of the committee on President's address has named the following to serve thereon; at my request: Messrs. W. H. Lowden, A. G. Dugan and L. B. Edwards.

Are there any remarks, on the paper read by Mr. Low? We usually cross-examine him after he has read a paper.

(No remarks.)

The President—Mr. Stuart is not present this afternoon. Mr. Wetzlar has not yet arrived. Mr. Folger has asked to have his paper go over until to-morrow morning. I therefore now take great pleasure in calling upon Mr. George F. Grant, who will read the paper on "Inspections," by Mr. Ed. Niles, who is absent from the city.

Mr. Grant—Mr. President and Gentlemen: Mr. Niles has written as follows: (Reading:)

## INSPECTIONS.

"All that is wise has been thought already.  
We must try, however, to think it again."

Speaking of certain vicious men of elegant exterior, Balzac compares them to poisons that are put up in cut glass vials, neatly covered with kid and handsomely trimmed with ribbon. The vehicle is beautiful but the contents are deadly. Many fire hazards, that have a similar pleasing appearance, are saturated with a moral virus or contains the seeds of quick consumption. The inspector who intelligently examines the risks in his territory may aid in placing a balance on the right side of the ledger; in fixing his manager more firmly on his seat and in elevating his company to

the ranks of those who through much tribulation have at last achieved a low loss ratio. If the business of the company is otherwise conducted on intelligent principles, the close inspection of hazards must contribute to success under ordinary conditions, aside from the possibilities of sweeping conflagrations.

Although somewhat foreign to the subject, it may be well before going further, to explain what is meant by conducting an insurance business on "intelligent principles," premising that these views are not copyrighted and may be freely taken by any one.

In brief the following points are covered :

The management is discreet and consistent, based on a policy that is sufficiently flexible to meet the varying conditions, but is not dogmatic, mulish or vacillating.

The Compact obligations are observed.

Local agents are treated with fairness and courtesy but are pleasantly yet firmly reminded of their responsibilities, and are strictly held to their duties.

The prompt remittance of collections is enforced.

Special agents are placed on a cordial footing but are not allowed to fall into wasting diseases through a lack of exercise. They are not encouraged to make complaints of other offices and are expected to keep their own skirts clear.

All letters and telegrams are answered promptly.

The manager's desk is cleared daily.

The lines carried are proportioned to the general income and to the conditions of the various cities and towns in the manager's territory.

Wrangling with other offices is avoided.

The prohibited list is small but invulnerable.

Orders for cancellation are imperative and their immediate enforcement is insisted on.

It has been said that "to select well among old things is almost equivalent to inventing new ones." There is nothing new to be said. "A story, bless you, there is none to tell." At this meeting, there are those who have that keen scent for the dangerous point in a risk that enables them to fasten on it unerringly, and to such, these suggestions will be of no value. But if some inspectors are born, and leap from the cradle with a nursing bottle in one hand and a cancellation notice in the other, more are made, and it is not unlikely that these words will reach some field men of limited experience to whom the points referred to may prove of benefit. The writer claims no spark of originality and it is simply as a borrower of others' thoughts and as a condenser of others' ideas, that he has consented, like a fly embalmed in amber, to rest with the immortals whose annual crop of ideas is to be preserved in the printed records of this Association.

Inspectors, like the Arctic regions, are designed for exploring purposes only, and every inspector worthy of the name, should be an explorer into

the dark and devious recesses of the various hazards that his company, with faith in its agents and the map, accepted. The nicely colored diagrams all look alike, but there's often a big difference in buildings of the same size and material, and a decided choice in occupancies.

The first quartz mill that I inspected, seemed to my verdant eye, very hazardous, owing to the large amount of dust in the mill. In some places the timbers were covered a half inch deep. Reasoning from a flouring mill basis, I felt that there was danger in the very air and was pained to see such carelessness. I spoke to the superintendent about it and the rude man laughed in my face. "Why," said he, "that's all metallic dust. You can't burn it."

"Then felt I like some watcher of the skies,  
When a new planet swims into his ken."

The inspector must often read just his ideas and be ready to pluck the flower, safety, from the nettle, danger.

The tariff rate is supposed to cover the physical hazard only, but what rate shall cover the moral hazard? Where the morale is suspected there is but one wise course to follow and that is immediate cancellation. How often has it happened in the experience of managers and special agents that a risk has been allowed to remain on the books when not fully approved and it burned. Comment is unnecessary.

De Quincey in his essay on "Murder Considered as One of the Fine Arts," says: "If once a man indulges in murder he very soon comes to think little of robbery, and from robbery he comes next to drinking and Sabbath-breaking, and there is but one step from that to incivility and procrastination. Once begin upon the downward path you never know where you will stop."

And so it is with the inspector. If he makes a careless survey of a shingle mill, he soon glances at the soap works from the sidewalk, passes idly by slaughter houses and mattress factories, and from them it is but a step to never looking at brick mercantile risks and gilt-edged dwellings.

Tact must be used when pointing out defects in risks to property owners. Many are sensitive and often cannot or will not, see the dangerous points. The inspector should remember the advice John Jacob Astor gave to a young business man: "Keep cool, keep civil." Thoroughness is most essential. Dickens understood this, for he said: "Whatever I have tried to do in my life, I have tried with all my heart to do well;" and if disheartened in your attempts to improve the condition of your hazards, don't get discouraged, for "time and patience change the mulberry leaf to satin."

The first Rothschild made it his rule to have nothing to do with an unlucky man, and at the risk of occasional injustice it will be well to carry out this idea in our business. When it is clearly shown that the assured has had two fires as the result of carelessness, cancel at once and let some other company carry the hazard which no obtainable rate will cover.

As "from the same materials, one man builds palaces, another hovels," so on the same kind of hazard, one owner will use an honorable care to protect his property and another will by his slovenly ways be a perpetual menace.



When the assured persistently refuses to make the improvements suggested by a competent inspector, it will be more profitable to give him a return premium than to close your eyes and take the chances. After all, what satisfaction is there in a large volume of business and a swinging loss ratio?

Another point to be remembered by the young inspector is, that no advantage results from telling one's business to other special agents. Advise your office freely and stop right there. You will also find that your success as an insurance man will depend less on talent and more on energy.

It doesn't help matters any to get angry with obtuse property owners. Remember that some of them "live so happily with their self love that it would be cruelty to disturb them," and he who cannot command his temper should not think of being a man of business.

It is discouraging to cancel a risk and not have it burn immediately, but in most cases, if your judgment is of an average quality, you will find that in due time the conscious or unconscious carelessness of the assured will effect the destruction of the property.

Barnum used to tell the story of a certain showman who combined with the ordinary circus performance a display of fireworks.

At one time, he advertised the "Battle of Trafalgar" with burning ships, blazing oceans and other magnificent effects. He drew such a vivid picture of that great naval encounter that the people from the entire countryside were attracted to see it.

When the time arrived, the showman brought his guiding hand to bear on the set piece, applied the match in the usual manner and retired to await results.

Several minutes passed, but no battle ensued. The showman then stepped forward and addressed the crowd.

"It has not went off," he remarked, and proceeded to investigate.

Again the same result followed, and again. "It has not went off, ladies and gentlemen," continued the showman. "I will now show you the great earthquake of Lisbon." He gathered the fireworks together and filled a barrel with them. He poured turpentine over them and sprinkled the lot freely with gunpowder. Once more he applied the torch with astonishing results. There was an explosion, and when all was over he gave a parting address.

"It *has* went off, ladies and gentlemen, and so has three fingers of my hand. Good evening and many thanks. The earthquake will not be repeated."

A prominent special agent, whose headquarters are at Denver, told me that when he first went on the road, he knew the difference between a shingle machine and a refuse burner, and the points of variance between a friction clutch and a watchman's clock, and that was about all. As he visited the various risks, he confessed his ignorance and willingness to learn. He is now one of the most competent inspectors in the East. If our special agents will work in this spirit, their companies will soon have an intelligent idea of the risks they retain and in many cases will be relieved of dangerous liabilities.

My limits will not admit of much detail, and indeed, the intent is to be more suggestive than technical. At the risk of repeating what the majority of our members know, I will refer briefly to points about various hazards that it may be well to remember when inspecting:

*Agricultural Implement Factories.*—Oily rags should be gathered up daily, placed in metal cans with metal covers and burned in furnace. Sand, instead of sawdust, should be used as an absorbent. Look for dirt and rubbish where spontaneous ignitions may happen, and be alert to discover to what extent the risk is protected against sparks.

*Asylums.*—Nearly one-half of the inherent hazard is from defective flues. Examine heaters closely.

*Barns.*—Matches and sparks cause most of the fires. A new hazard was recently developed in Oregon. A farmer drove into his barn at night, left his lighted lantern on the wagon box, and climbed into the loft to put down some hay. An owl flew out, hit against the lantern, and knocked it down; the lantern broke, the flames communicated, and the barn was a total loss. The lesson seems to be that owls and lanterns must keep out of barns.

*Blacksmith Shops.*—The greatest danger is from sparks.

*Breweries.*—Sparks, dust explosions and friction in machinery are the principal causes of fire.

*Bakeries and Confectioneries.*—The fires are often caused by floor and ceiling joists being placed too near ovens. The joists should be at least four inches from brick work. Electricity generated from large belts has been known to ignite contiguous woodwork.

*Churches and Dwellings.*—Defective flues and furnaces poorly set cause most of the fires.

*Dyeing and Cleaning Establishments.*—The cleaning room should be detached, the building should be well ventilated, and the drying should be done by cold air.

*Dry Goods and Clothing Stores.*—A celebrated Eastern authority attributes many fires in these stocks to an inherent semitic hazard. Without touching on that point it is apparent that gas jets, lamps and matches are the principal physical causes. Open gas lights should not be allowed in windows where open stock is displayed. They should be protected by wire hoods, and swinging jets protecting from wooden supports in any part of the store, basement, closet or otherwise, should be wired stationary. Woodwork over gas jets, when nearer than 15 inches, should be protected by a sheet of metal with a small air space at the back. An ounce of prevention holds more than good in mercantile establishments. Pails of water should be distributed throughout the store. Goods should not be hung over the light shaft or piled on the stairways, for fire has always an upward tendency.

*Electric Lights.*—A few of the leading points with which the inspector should be familiar are as follows:

Are lamps where hanger boards are not used, should be hung from insulated supports other than their conductors.

Conductors must be so spliced or joined as to be both mechanically and electrically secure without solder. They must then be soldered to insure preservation and covered with an insulation equal to that on the conductors.

When from the nature of the case, it is impossible to place concealed wire on non-combustible insulating supports of glass or porcelain, the wires may be fished on the loop system, if encased throughout in approved continuous flexible-tubing or conduit.

Incandescent lamps run in series circuits must not be used for decorative purposes inside of buildings.

Neutral wires in the Edison tube system should not be grounded as such a practice impairs the insulation of the wiring of the whole portion of each building lighted therefrom.

Many fires are caused by foreign currents entering buildings on outside overhead wires, normally forming an innocuous circuit, but which become a source of fire hazard if crossed with other conductors, as thereby they become charged with a relatively high pressure.

*Furniture Factories.*—To those about to write on furniture factories, "Punch's" advice to the young man about to get married may suggest itself. It was, "don't!" But if you favor them, see that care is used in the disposition of the rubbing rags and in handling the oils. Sand should be used as an absorbent under the oil and varnish barrels and changed often so the drippings will not accumulate and saturate the flooring. Open lights must not be used.

*Foundries.*—The charging floor around cupola should be of iron and the chimney should be well ventilated where passing through the roof. Report on amount of patterns and learn how many are of obsolete design.

*Flour Mills.*—Friction and spontaneous combustion are the main hazards. Examine the machinery for hot bearings and while doing so, note if there are machines of old pattern not in use. See that your policy covers machinery in use only. Insist on cleanliness. If the machinery is badly crowded, cancel.

*Grain Elevators.*—These generally burn from locomotive sparks, friction in machinery and spontaneous combustion.

*Hotels.*—Defective flues, stoves, lamp explosions and drunken guests are the principal points to be guarded against.

*Livery Stables.*—Smoking, lamp explosions, and defective flues cause most of the fires.

*Laundries.*—The principal hazard is the dry room. All pipes should be of metal with hangers raised high enough from the floor to allow of cleaning underneath, and the stoves should be set on zinc.

*Meat Markets.*—Rendering should be done in a separate building, or the floor should be metal covered and lard kettle should have a metal cover so



arranged that it can be dropped down if the grease boils over. There should be a box of sand for use in case of fire.

*Printing Offices.*—Benzine used in cleaning type should be kept in tight metal cans. A quart is an ample supply to be kept on hand at any one time. The office towel ought to be changed two or three times a year. When stereotyping is done, care should be given to the setting of the furnace, which should be encased in brick with the surrounding woodwork, and the floor fire-proofed. Presses should stand on zinc or cement, and the floor kept clean of oil.

*Paints or Oil Stocks.*—Spontaneous combustion is the principal hazard. See that oil is not near lamp-black. A drop of oil in a barrel of lamp-black may occasion what the local agent gave as the cause of the fire, "instantaneous combustion."

*Steam Heating.*—Unprotected steam pipes where passing woodwork are as dangerous as furnaces. Tyndall demonstrated that pine carbonizes at 250 degrees. After carbonizing, if the steam in the boilers exceeds this heat, there is danger of ignition. When the steam pressure on the boiler is 20 pounds the heat equals 228 degrees; with 40 pounds pressure the heat is 260 degrees, and with 80 pounds pressure the heat is 315 degrees, so when the pressure gets up to 30 pounds it will readily be seen that the steam pipes must be looked after without delay. Pine not carbonized ignites at 600 degrees. Steam pipes that pass through wood, or lath and plaster partitions, or through floors, should be wrapped with asbestos or have a clear space from the woodwork of at least one and a half inches.

*Saw Mills and Planing Mills.*—Shavings vaults should be of brick, with the walls at least five feet higher than the other portions of the mill. Standard fire doors should be placed on all openings into the boiler room. Steam pipes in dry kilns should be on iron hangers and not in contact with woodwork.

*Smelters.*—A standard smelter in easy circumstances is a good risk. The principal hazard is the proximity of the timbers to the furnaces. If the timbers and charging floor are of iron and the plant is well located, with contiguous paying mines, you may, with a clear conscience, write "approved" on your inspection slip. Chlorination and lixiviation works have this advantage over smelters, that the gases arising from the acids used so impregnate the timbers and atmosphere as to have a deadening effect on fire.

*Theaters.*—Examine scenery loft and arrangement of stage and lights. The drop curtain should be of asbestos and on each side of the stage should be a standpipe with connections for hose both on stage and scene loft, with pails of water on main floor. Employes should be stationed in the loft during performances. The preference may be given to theaters making a specialty of ballet preformances, owing to the limited stock of costumes required.

Don't mark a risk "drop at expiration," or the time will surely come when you will feel the pangs of remorse. If you don't like it cancel at once.



Make full reports about the town, the status of the agency and the condition of the fire department and water supply.

Ye managers who rest at home on flowery beds of ease (with, perchance, a crumpled rose leaf or two in the couch of late), do you realize what your special agents are trying to do for you? They are the pioneers, the prospectors, the advance guard of insurance civilization. They make the rough places smooth and are expected to be as wise as serpents and as harmless as doves. They collect the overdue accounts; they soothe the wounded spirits of your agents; they inspect the dubious risks that you innocently accepted; they adjust your losses with a supposed knowledge of men worthy of a Napoleon, and an idea of values creditable to a Hebrew pawnbroker. They retire your bad agents and appoint your good ones. They stimulate and solicit business in season and out of season. Strangers to continuous domestic joys and the sweet comforts of home, in summer they swelter in the path of the sirocco that the north wind wafts through the San Joaquin valley, and in winter they buffet the icy blasts of Montana or soak in the perennial showers of evergreen Oregon and Washington.

In behalf of those golden links in the insurance chain that binds the agent to the manager, may not that kind, considerate and just treatment that most of them receive, be extended to all? Cheer and encourage them; write appreciative letters; give them full counsel and advice; and they will rise up and call you blessed; that noble army of martyrs will praise you and in their wake will follow good business with premiums collected and remitted, and you and your contingents shall reap where you have sown.

As I near a close, I would add that my first intention was to disarm criticism by filling this article so full of facts and statistics that when printed it would not be read. Although spotted here and there with arid patches, a careful observer may detect traces of a lighter vein. The only excuse for this is that, although we have had some unpleasant experiences of late, it's just as well to whistle when passing a graveyard—besides, dentists, undertakers and insurance men find it easy to be cheerful under adverse circumstances.

In conclusion, as illustrating the difference of opinion between the inspector who points out the dangerous feature, and the assured who cannot see it, and the consequence that often follows, I will take the liberty of repeating a story, that among other points has age to recommend it.

The scene is London. A ragged urchin stands in front of a peep-show in the Strand. The lad has just paid his penny and is now standing on tip-toe to look through the little aperture at the wonderful panorama within.

"You see, sonny," said the showman, "the train of cars comes along this side, then it goes out of sight through the tunnel, and then it comes out again on the other side. Where you see a green light it means 'all right,' and where you see a red light it means 'danger'."

"What's the yellow light mean?" piped the urchin.

"There ain't no yellow light, sonny," replied the man.

"Yes there is, mister," said the boy.

"Oh no, sonny. There ain't no yellow light in this show. Where you see a green light, it means 'all right,' and where you see a red light it

means 'danger.' There ain't no yellow light, sonny."

"But there is, mister," responded the urchin; "what's the yellow light mean?"

The showman evidently decided that the easiest way to satisfy the youngster's curiosity was to take a peep into the show himself. He looked in and quickly discovered what the boy meant.

"The yellow light, sonny, means that the whole blooming show is on fire, and future performances are indefinitely postponed."

EDWARD NILES.

(Applause.)

The President—Mr. Niles has added to our records another one of those very excellent papers for which he has become famous, and I am sure we are under many obligations to him.

Is it your pleasure that we take up anything further this afternoon?

Upon motion, an adjournment was taken until 10:30 A. M. Wednesday, February 20th, 1895.



## SECOND DAY.

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WEDNESDAY, Feb. 20, 1895.

10:30 A. M.

The President—Gentlemen, come to order. I think it was unfortunate that we fixed the hour at 10:30, because if fixed at 10 all would probably have arrived by 10:30.

I have several disappointments in store for you this morning. The paper from Frank D. Brown, of Missoula, has not yet been received. Mr. Low has asked to be excused from reading his second paper. Mr. Stuart, I do not see present. And, unfortunately, Mr. Medcraft this morning informed me by note that he would be unable to have his paper on "Lines" ready. I sent him an urgent request to come here in any event and participate in the discussion on Mr. Argall's paper, which follows the same line, and I am pleased that Mr. Medcraft is present.

The first paper this morning, unless there is some business the Secretary has to bring before us—

The Secretary—When you shall have finished, Mr. President.

The President—We will take up the business the Secretary proposes before proceeding with the programme.

The Secretary—Mr. President, I have been requested on the part of certain members here, likewise some who do not appear to be present, to say a few words, but had indulged the hope that another might be chosen who could respond more fittingly to the inspiration of the hour. The Secretary is generally expected to complete these offices and respond to the unexpected, therefore he is with you. On behalf of those who are instrumental in this it was agreed that I should say that our worthy President has been with us in every-

thing, our ups and downs, our ins and "outs," especially the latter. His genial face has in the past presided over our meetings, casting smiles o'er our troubled countenances. We have had his counsel, his advice, and likewise his censure—a little of it! I believe it is customary to premise the presentation of a gift with some such remarks, but you know their spontaneity, and that they are from the heart, therefore, kindly excuse me from further effort. On behalf of friends, Mr. President, accept this dainty pen, as a souvenir and token of regard! May it sign many policies and pay the losses promptly.

(Presents enormous pen and holder. Laughter and applause.)

The President—Mr. Secretary, and fellow members: I am unable to find words to express my gratitude for this mark of your esteem. It is particularly appropriate at this time, as I have been needing something to mark the names of those who have failed to comply with their promises, to take part in the programme. And now that I am provided with a gold (?) pen, the only thing lacking is a barrel of ink, and if you will accompany your present with—

(The Secretary hastens to comply.)

The President—With that commodity I will take great pleasure in using this pen for the first time in the interest, or against the interest, of the Association. I appreciate very highly the kind remarks of the Secretary on behalf of the members, and this shall be treasured among the mementoes of this notable year. Again, gentlemen, I thank you.

(Applause.)

Mr. Fogarty—Behind your ear.

The President—I don't know whether my ear is large enough: there is very little hair on my head and the pen is of goodly size. It takes both hair and ear together to hold a pen.

We are to be favored this morning by Mr. Herbert Folger with a paper on "Fire Losses in American Cities," instead of "Fire Insurance in Large Cities," which was a misprint on the programme.

Mr. Folger—(Reading:)



## LARGE FIRES IN AMERICAN CITIES.

The writer of a very interesting paper read at our last annual meeting took for his text, "Extravagance in the settlement of partial losses," and referred more particularly to small fires, seeming to hold the opinion that such losses represent the major portion of the property value destroyed annually. An attempt will be made through the present paper to interest you in losses of large size, which we think responsible for three-fourths of the American fire waste. Your attention was drawn to the inference that out of 29,332 fires in the United States in 1892, 24,346 fires involved losses not exceeding 20 per cent. of value; but no showing of the amount of loss was made. It appears that while the fire loss for 1892 was \$151,516,098, the small fires, though 83 per cent. of the whole number, were estimated to have caused only 22 per cent. of the entire loss, say \$33,677,240.

Much time has been spent in an effort to procure reports of fire departments from some seventy-five or more American cities. Only half the number have responded and the reports differ so much in plan and detail, that many are of no assistance whatever. Still, a statistical table has been prepared covering an average of five years for each of about thirty cities, which will be published with the proceedings of this meeting, showing both the aggregate losses, and those caused by single fires involving \$10,000 loss and upwards. The table leads to the conclusion that  $1\frac{3}{4}$  per cent. of all fires in large cities are over \$10,000 in extent, and that this class involves 72 per cent. of the total loss incurred.

It would require more time than can be allotted to one writer to consider even a few of the questions raised in the course of this inquiry. There is ample ground for the preparation of several papers in the future. However, it is believed that nothing can be elicited of more interest or importance than the inference that the chief cause of the enormous fire waste in the United States is the defective construction of mercantile brick buildings. In the first place, of the 1,578 fires tabulated herein over 90 per cent. of the whole started in or mainly affected brick or stone buildings. Most of the remaining fires could be discarded from consideration without seriously affecting the results.

The first item of interest in connection with fires in brick buildings is the character of the latter. About 29 per cent. are set down as occupied exclusively for manufacturing, 63 per cent. as mercantile or office risks, in some cases including manufacturing, and 8 per cent. miscellaneous.

It is to be regretted that lack of time has precluded the segregation of insurance losses on buildings and contents. As item after item in the fire department reports merely reads "store," or "mercantile," a satisfactory classification is out of the question. The average number of buildings included in any one mercantile fire over \$10,000 seems to be about 4.

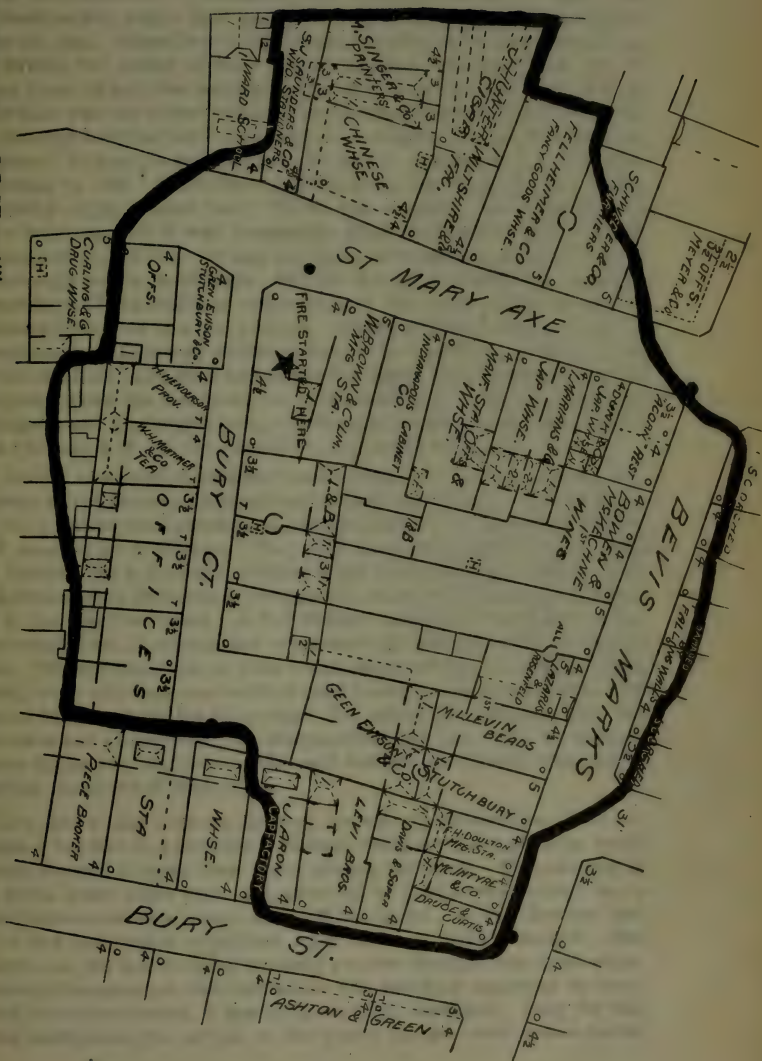
If memory is correct it was a Cincinnati architectural journal which expressed the belief that the increasing fire waste, in the face of constant improvement in buildings and appliances for fire prevention and extinction, must be due mainly to the faults in construction of buildings erected twenty years ago or more. The editor naturally considered it improbable that modern buildings of fire proof and fire resisting construction could be

SCALE 70 FT = 1" =

PLAN OF FIRE IN

LONDON.

Plate No. 1.







in any degree responsible for or associated with the present deplorable fire loss. But the editor overlooked the large number of fire traps in contrast with every first-class building, which are built in the United States annually. Only one attempt to consider this feature has come under the writer's observation, which had reference to the Milwaukee conflagration of October 28, 1892. According to the tables, there were 81 brick buildings included within the limits of the burned district, ranging from one to thirty-nine years of age, the average being fifteen years. The Bub & Kipp building which was the direct cause of the conflagration, was one year old, and was the only building over five stories in height in the district with one exception. It was 120 feet square and seven stories or 103 feet high from sidewalk to roof. There were 309 windows, the area of the window openings being 14,505 square feet. There was no party wall whatever in the entire building, and it was completely filled with parlor frame furniture in course of completion. It was equipped with ladders and stand-pipes which were supposed to be of value; but the fire did not originate, or show, on the outside until the building was a mass of fire from cellar to roof, as well as through the roof in a few seconds. There were five engines placed at and working from a cistern within 50 feet of this building, with ten men working the engines; and they had to run for their lives, leaving engines and apparatus, when the fire burst out of the building. The fire destroyed 440 buildings in all, 185 freight cars, two freight houses and an office building of the Chicago & N. W. Co., and left 1,893 people homeless.

Many similar examples of reckless construction can be found in department reports although they have not caused such sad havoc. We are apt to overlook the peculiar susceptibility to damage which is a feature of modern office and mercantile buildings. They may seem comparatively free from inherent hazard, but a fire once started is apt to be no light matter. The Chicago Athletic Club Building is perhaps the most notable case of the kind recorded in the past few years. A fire therein occurred November 1, 1892, before its completion, involving loss estimated at \$180,000, with insurance of \$300,000. The building was of steel frame construction, ten stories high, 80x172 feet, with side and rear walls of solid masonry and front walls with iron columns running from top to bottom. No part of the building fell; but the terra cotta and stone front, the fire proofing, and iron work in exposed places were damaged. Architect Cobb said before the Illinois Chapter of the American Institute of Architects:

"The fire shows that with our present system of construction, it is not safe to have a hot fire in a building. Second, terra cotta fire-proofing needs to be better secured in place than under present methods. The columns in the solid brick front walls were not affected by heat; cement laid on in coats, that were considered solid, came off in layers. If the firemen had kept out of the building it would not have been so badly damaged. The water thrown on the hot material wrought greater damage than heat alone. I was greatly disappointed that, although the building appeared to have been saved from destruction, it was very seriously damaged. Only for the terra cotta protection, the action of the water on the steel beams would



have pulled the building to pieces. The fire proofing saved the building, but in doing so was itself destroyed."

The size of brick mercantile buildings varies with the size of cities, but, as might be expected, large losses are apt to occur in buildings having more than the average height or area. Yet only two fires have been noticed in the reports collected which started in buildings as high as ten and twelve stories: the Athletic Club building in Chicago and the Lumber Exchange building in Minneapolis respectively, both regarded as fire proof in the modern acceptance of the term, and both of which caused heavy loss. The absence of fires in Chicago office buildings of from 150 to 300 feet in height has been often remarked, and the fire marshal of Chicago read a paper regarding their hazard before the Northwest Association in 1892. While he was of opinion that these buildings are practically fire proof, so far as internal hazard is concerned, he had some doubt of being able to handle a fire efficiently later than eleven o'clock at night, when the elevator service is discontinued. In buildings of ordinary construction and average height, nearly all fire department reports show that wooden stairways, light wells, and elevator shafts in particular, assist the spread of fire with marvelous rapidity.

The question naturally arises whether the rapid increase in fire losses per annum is due to a greater number of fires in proportion to the population or to an increase in the value of property affected and destroyed. Answering this thought, the chairman of the Fire Patrol committee of New York said in his report for 1887:

"An erroneous idea prevails in regard to increased value of individual property as compared with values prevailing some sixteen years ago. The great increase in the number of buildings, manufacturing plants, stock of merchandise and dwellings, show an accumulation of value in mass, but not in individual cases. Referring to our records for the period named, we find that the average amount of insurance involved where fires have occurred is less to-day than it was in 1872, while the number where loss has been sustained has increased 152 per cent. and the insurance involved 121 per cent."

At the first glance, the writer seems to have made out a case; but general statistics are always misleading, and, if the insurance were segregated as the losses have been in the tables depended upon for this argument, it would probably be found that the average insurance per fire in the group of losses over \$10,000 has largely increased in twenty years. In the report for 1888 there appears an interesting inquiry into the value of insurable property in the New York dry goods district, showing that the estimated value of insurable property therein was then \$180,229,629. But the statistician obtained these figures by dividing the insurance involved in the district during the preceding year by the number of buildings affected (99), obtaining an average per building of \$110,164. Not only does this look too small, but it is disproved by the report itself. The most notable fire in New York during the year involved insurance of \$2,109,110. Sixteen buildings were concerned which would represent an average of \$131,820 per building. But in this fire, the loss was largely confined to five

WIDE 60

TESTED 24 H

Water Box

STOCK

BRICK

Buildings

W MADISON



PLACE

HAY MARKET

THIRD

BOLT WIDE

JOHN W. SMITH - FURNITURE

ST.

UNION

60 ft. WIDE

PLATE No. 2



HAYMARKET THE

66" WIDE

W. MADISON

80 FT WIDE ST.

✻ F.A. Box,

BEING BUILT AT TIME  
OF FIRE.

JOHN M. SMITH - FURNITURE

STORY - BRICK BUILDINGS

3 AND 4

ALLEY

VACANT.



A hand-drawn floor plan of a museum. The plan is rectangular with a central area labeled 'MUSEUM.' and a dashed line indicating a 'STAGE' area. The plan is divided into sections by walls and windows. The top section is labeled 'FULL OF' and contains a 'FURNITURE' area. The bottom section is labeled 'FULL OF' and contains a 'FURNITURE' area. The left side is labeled 'FULL OF' and the right side is labeled 'WINDOWS'. There are several windows marked with 'x' and some are labeled with numbers like 688, 689, 690, 691, 692, 693, 694, 695, 696, 697, 698, 699, 700, 701, 702, 703, 704, 705, 706, 707, 708, 709, 710, 711, 712, 713, 714, 715, 716, 717, 718, 719, 720, 721, 722, 723, 724, 725, 726, 727, 728, 729, 730, 731, 732, 733, 734, 735, 736, 737, 738, 739, 740, 741, 742, 743, 744, 745, 746, 747, 748, 749, 750, 751, 752, 753, 754, 755, 756, 757, 758, 759, 760, 761, 762, 763, 764, 765, 766, 767, 768, 769, 770, 771, 772, 773, 774, 775, 776, 777, 778, 779, 780, 781, 782, 783, 784, 785, 786, 787, 788, 789, 790, 791, 792, 793, 794, 795, 796, 797, 798, 799, 800, 801, 802, 803, 804, 805, 806, 807, 808, 809, 810, 811, 812, 813, 814, 815, 816, 817, 818, 819, 820, 821, 822, 823, 824, 825, 826, 827, 828, 829, 830, 831, 832, 833, 834, 835, 836, 837, 838, 839, 840, 841, 842, 843, 844, 845, 846, 847, 848, 849, 850, 851, 852, 853, 854, 855, 856, 857, 858, 859, 860, 861, 862, 863, 864, 865, 866, 867, 868, 869, 870, 871, 872, 873, 874, 875, 876, 877, 878, 879, 880, 881, 882, 883, 884, 885, 886, 887, 888, 889, 890, 891, 892, 893, 894, 895, 896, 897, 898, 899, 900, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 913, 914, 915, 916, 917, 918, 919, 920, 921, 922, 923, 924, 925, 926, 927, 928, 929, 930, 931, 932, 933, 934, 935, 936, 937, 938, 939, 940, 941, 942, 943, 944, 945, 946, 947, 948, 949, 950, 951, 952, 953, 954, 955, 956, 957, 958, 959, 960, 961, 962, 963, 964, 965, 966, 967, 968, 969, 970, 971, 972, 973, 974, 975, 976, 977, 978, 979, 980, 981, 982, 983, 984, 985, 986, 987, 988, 989, 990, 991, 992, 993, 994, 995, 996, 997, 998, 999, 1000.

ONE STORY FRAME SHED.

## FURNITURE REPAIRING.

ONE STORY BRICK BLDG

SCHOOL

STREET

COURT

S. HALSTED

66 FT. WIDE

# PLAN OF FIRE

CHICAGO-

# SCHOOL

SCALE: 70 ft = 1 in.

PLACE WHERE FIRE STARTED

Plate No. 3.

buildings, and seven presented no schedule of insurance on contents. The remaining nine buildings and contents carried average insurance of \$203,000 which is nearer the mark. But this figure is far below many lines carried in New York, as several conspicuous examples in the reports will prove. It is not many weeks since a damage of 1 per cent. was paid for an exposure loss on one building and contents in New York insured for \$1,000,000.

The mere consideration of the fire waste in the United States will do no good. It is a large country, its people have large ideas, and the fire waste must merely be looked upon as a part of the reckless disregard of aggregate results. What is the business of all is the special concern of none. The President and Congress have declared themselves powerless to interpose to arrest the wholesale destruction of property; and the only thing accomplished through the elaborate machinery of the national government has been the collation of foreign statistics, serving to throw into bold relief the extravagance of our own figures. Yet such features as the record of Vienna were merely a sort of nine days' wonder among the few insurance students who examined the report. For the time, they saw the American record in its true light and then straight-way forgot the matter. The indifference is general and not surprising when the members of our own profession are so inactive. The uninitiated might be startled at the assertion that two fires occur every week in this country with an average loss of \$400,000 each, half of them in mercantile risks. We apprehend, but cannot comprehend; the figures and long columns of statistics leave little impression on the mind. For example, a table of American fires in 1894 exceeding \$200,000 each, appeared last month in a leading insurance journal, in which there was an error of \$10,000,000 in the footings, but no one seems to have paid any attention to it. To the American people, \$10,000,000 appears to be a small matter. It is sufficient for them that most of the loss is insured; and even fire chiefs, with few exceptions, subtract losses paid from insurance involved and treat the remainder as so much salvage, as though we should feel thankful that our losses are not all total. Absolute safety for our policyholders in mercantile centers requires a combined surplus of insurance assets over capital and liabilities in the United States of at least \$100,000,000, and as there is only about half that amount now available, the public should be informed, even though not convinced, of the necessity for a moderate annual excess of receipts over expenditures in the underwriting account.

Wider circulation should have been given to the admirable letter from Mr. E. G. Richards of the National of Hartford, upon the "conflagration hazard of large cities." It is based upon the sworn reports to the Massachusetts Insurance Commissioner, showing that in the congested district or business center of Boston, the ratio of loss to premiums in ten years had been, say 91 per cent., and of loss to amount at risk 54 per cent. In other words, it would have required an average rate of at least 1 per cent. per annum in the district to be remunerative, while the average rate actually obtained was 60 cents per annum. Mr. Richards remarked that "nothing will check and keep within safe limits the hazards which have produced these unfavorable results but the strong arm of a well enforced



and effective building law, re-enforced by an equally good system of schedule rating."

It is remarkable how much information, such as it is, we secure through statutory requirements in the United States. It would be interesting to know how many extra clerks are needed in our home offices to record and tabulate the mass of figures annually demanded of us. To tell the truth, we give the state far more than we should feel inclined to prepare for ourselves.

We know in a general way that certain fields have left us losers, and we think some towns and certain classes of business have done so. Nevertheless, that is a good story of the member of the Pacific Insurance Union who complained of the bad record of a Pacific town from general observation and who, when the general manager called for actual figures from all members, found that his own office had received a profit from the very place complained of. If the companies would in a reasonable way, undertake the collation of general statistics, the result would benefit the business and the community alike. The National Board committee wisely confined its proposed classification to eight general classes of risks. If the Board of Underwriters of the Pacific would authorize the classification of Coast premiums in such manner, keeping separate the business of Book 1, 2, 3 and 4 towns and outlying districts, and if the members could then be induced to report the gross losses incurred monthly, the result would be more valuable than is generally supposed. This would neither affect the value nor reveal the results of private classifications which deal with net lines and losses, segregated into many more classes; but it might teach our surveyors, and the rest of us as well, some much needed lessons and arrest the frequent temptation to cut off five or ten cents from ratings little able to stand the reduction. It would be optional to use the new National Board headings in reporting losses, which Mr. Hayden calls "classification run wild," seeing that the highest numbered class is 1687.

Critics are fond of urging that rates need revision on the Coast, which is true enough; but not one of them would feel competent or willing to lead the way, upon individual judgment, unless perchance there are among us some of whom it may be said that they "step where angels fear to tread." The ratio of loss to premiums in the Pacific field outside of California during the last three years has been 52 per cent., which leaves little margin after the addition of the heavy expense ratio required. In 1894 the ratio was 58 per cent. It is the old story of conflagration losses, or rather large single fires as compared with the size of the field. We never have charged properly for the hazard and probably never will until men of intelligence and experience take the matter in hand with the determination to solve the problem. It takes time but so does everything which is worth doing.

The most vigorous writer upon insurance matters in this country has recently been criticizing the charge for "previous fire record" in the Universal Mercantile Schedule. "This," he remarks, "seems to us to have no place in schedule rating, at least until the schedule itself has been fully tried. When you have got your charge for environment, construction, occupancy, exposure, ignitibility and combustibility, water supply, fire de-

partment, etc., you have gone about as far as schedule rating will take you safely. Schedule rating has nothing to do with the existing conditions, except as they are found in existing deficiencies. It assumes a knowledge of the perils that environ the fire underwriter and to schedule them and fix their value as factors in making rates. The fire record of the past five years is the result of conditions then existing, probably still existing, and if the schedule does not reach these, schedule rating is a failure." Exactly so, and the schedule does reach them. The trouble is that an inflexible schedule made in the ordinary way would reach them too much to suit the public, and if they are to be tempted with what we have to sell, it must be made attractive.

Experienced underwriters know that mercantile rates upon the bases at present in use are inadequate, and leave heavier loss in most cities than the \$5 per \$1,000 at risk prescribed by the Universal Mercantile Schedule. But there are exceptions, dear to the heart of every troubled manager, and he knows that he must either provide low rates or expend more to secure business in the excepted cities. So the Schedule fixes the standard for the good city and adds for the record of the bad. Do you suppose it possible to so analyze the differences between two cities of 50,000 population from the standpoint of physical hazard, that the resulting key and schedule rates shall be graded according to actual experience? It is unlikely. No rating committee would have presumed to change the key rate of Milwaukee because of the existence of the Bub & Kipp building before 1893, nor the rate of other cities for similar untried features. It does not seem probable that the mercantile district of Syracuse is exceptional (save that the buildings affected by large losses are above the average height in cities of moderate size), and the reports of fires there in recent years do not lead to the conclusion that moral hazard, the intangible bug-bear, was to blame. But insurance companies have paid the losses and have every right to recoup themselves within reasonable limits.

It is not sufficient for the underwriter that the water supply of a city passes through mains of a standard size, that the fire department has the requisite number of engines and men, that the streets are of a standard width, and the buildings of ordinary construction. The specific items of the schedule cannot be altered for a particular city if the water pressure is weak when needed, or the fire department slow or bungling, or if a fire affecting a stock peculiarly susceptible to damage is extinguished with a volume of water from hose when a chemical stream would have answered the purpose, or if a particular building is so recklessly constructed that the frequent comment is made: "Upon the arrival of the department, the whole building was a mass of flames and threatened the surrounding property," or if mercantile houses are careless about the condition of their premises. It is the result, not the cause, with which the underwriters have first to do. Our head offices do not want explanations or excuses for losses; they want profits. With all due respect to the opinion quoted, the item "previous fire record" is an object lesson. In every city where 20 per cent. is added to the key rate because of an average loss of \$6 instead of \$5 per \$1,000 at risk, there will be taught the daily lesson that the city is out-

wardly the same in character as others where the original key rate is the same, but that for *some* reason the same conditions produce worse results. There is nothing to prevent communities under such circumstances from employing fire marshals, keeping a close watch upon the water pressure, etc., or even from adopting the recommendation of fire chiefs in Omaha and elsewhere, who think their cities can properly, and should, maintain salvage corps or fire patrols. By all means let it be understood that any city is entitled to insurance at the list price, provided existing conditions produce the expected results, but not otherwise.

Its title limits this paper to American cities, but the temptation cannot be resisted to draw a hasty comparison with better standards. It is generally understood that English rates are 75 per cent. and German rates about 90 per cent. below the American, but it is not so well known that their risks are three hundred per cent. better at a low estimate. A few blocks from the cities of London or Berlin transported to New York or Chicago with our appliances for fire protection, would be eagerly sought for at European rates. The London building law until 1890 forbade the erection of any building having a capacity exceeding 216,000 cubic feet (equivalent to 60x60x60) above the footings of the walls, unless permitted by a special act of parliament; and only three exceptions were then known among the 550,000 or 600,000 brick and stone buildings in London. The law has been modified to allow 450,000 cubic feet (77x77x77) between walls, by special permission, where a building is used exclusively for one occupancy of non-inflammable nature, and only fifteen such warehouses have been erected. The Pacific Coast easily breaks this record. The following are examples of mercantile brick buildings in our cities exceeding the London limit, few of which are confined to a single occupancy. As it is impracticable to keep dimensions in mind without confusion, simple boxes of straw-board are submitted, representing the cubic capacity of each building, upon the scale of ten feet to one inch, each city being distinguished by a particular color:

<i>San Francisco.</i>	<i>Dimensions.</i>	<i>Cubic Feet.</i>	<i>Rates.</i>	
			<i>Bldg.</i>	<i>Cont's.</i>
Murphy, Grant & Co. . . . .	75X137X52	534,000	.65	.75
Parrott building . . . . .	125X160X60	1,200,000	1.70	1.90
Flood building . . . . .	150X200X85	2,550,000	1.35	1.45
<i>Portland.</i>				
Sherlock building . . . . .	100X100X82	820,000	2.30	2.60
Dekum building . . . . .	100X100X116	1,160,000	1.40	1.60
<i>Los Angeles.</i>				
Stowell block . . . . .	60X155X67	523,100	1.00	1.20
Bryson block . . . . .	120X103X104	1,285,440	1.55	1.55
Stimson building . . . . .	90X150X110	1,485,000	.90	1.10
<i>Seattle.</i>				
McDougall & Southwick . . . .	115X80X66	598,000	1.45	1.65
Rialto building . . . . .	240X110X40	1,056,000	1.25	2.00

These illustrations only include buildings which are without brick partitions rising through the roof. Even in Eastern cities it is not always easy



Plate No. 4.

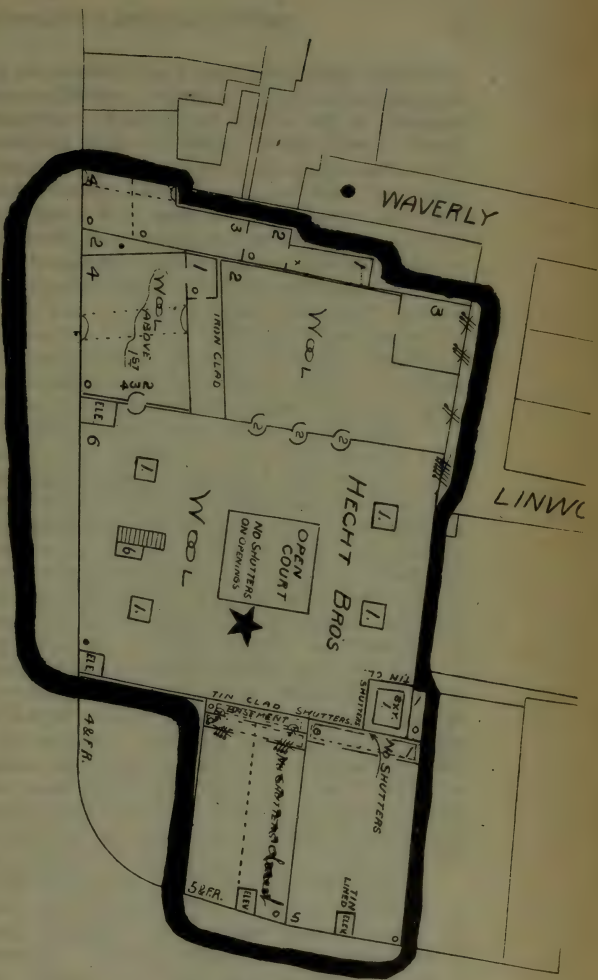
SCALE 70 FT = 1 IN.

FEDERAL

PLAN OF FIRE  
IN  
-BOSTON-

SUMMER

ST.



PLACE

WHERE FIRE STARTED.



Plate No. 4.

SCALE 1000 = 1 in.

FEDERAL

-BOSTON-  
IN  
PLAN OF FIRE



PLACE

WHERE THE SHOT



SUMMER

21

to equal such a showing. In the special report upon foreign fire service by Commissioner John R. Murphy of Boston, diagrams of London buildings are given in comparison with American. Some of the plates will be produced in our annual proceedings with the kind permission of the Boston Board. The New York building of largest dimensions shown has 22,800 square feet of floor area, say 200x114, and probably contains 1,150,000 cubic feet. The largest Boston building shown has a floor area of 52,000 square feet (unbroken by partitions), and probably has a capacity of over 3,000,000 cubic feet. It is doubtful whether the combined force of the 43 engine companies in Boston could handle a fire in such a building if it gained headway. Contrast the figures quoted with two or three London examples. Several firms there extend their business, cut up into numerous branches, over a large area, but use compartments which are as good as separate buildings. William Whitely's stores are divided into two distinct parts by Douglas place, under which sub-ways are run; the floor area of one part being 70,400 square feet cut up into 109 buildings, and of the other 72,000 square feet with 40 sub-divisions. None of these buildings is over four stories high. Another firm occupies 28 buildings averaging 1,243 square feet in floor area, say 20x62 feet. The comparative ease with which fires can be handled in such risks has naturally deterred the London authorities from adopting methods and equipments which we consider indispensable. Mr. Murphy criticized the fire brigades in some particulars in his report, which will well repay careful reading, but was forced to admit that there did not appear to be the same necessity for the perfect organization, drill and familiarity with their respective fire districts which are required in America. His Paris experience gives the best possible proof of this. "I was present," Mr. Murphy remarks, "at a small fire which took place in the basement of a hotel, with small stores in the lower story, and in the stories above were suites for tenants. It was curious to see the people looking down from the windows above at the firemen at work in the basement apparently not in the least disturbed. They could do it with impunity for the buildings are not built to burn." Imagine the inmates of an American hotel, in event of a fire in the basement, stopping to watch the firemen from a third story window, or indeed pausing for anything but sufficient clothing to reach the street with due regard for appearance.

It may be difficult to prove that our large brick buildings, undivided by fire proof walls and nearly all containing wooden floors and stairways, are responsible for our heaviest losses. But the tables on which this paper is based support such a theory. Chicago is the only city reporting the size of buildings affected by large losses. In the five years, 1889-93, inclusive, forty out of the sixty-seven fires involving over thirty thousand dollars each, destroyed or damaged brick buildings from four to ten stories in height, of which only one was within the limited size prescribed by the London building law. Our English friends may well consider this an evidence of the necessity for their requirement.

The fact that the sixty-four sheets of fire loss statistics forming the foundation for this paper were only completed within a week, will account for the disjointed character of the thoughts now presented. Much time

could profitably be devoted to the experience of different American cities and the reasons why so many large fires impair what would otherwise be a remarkable record of fire fighting. The belief remains that cheap, hasty and careless construction, together with the almost universal use of wood in the internal finish of so-called brick buildings, are the chief causes for the present deplorable fire waste. We are not in so great need of intricate building regulations regarding cornices, beams, etc., as of three fundamental rules to be rigidly observed. First, that the cubic contents of brick buildings for mercantile or manufacturing uses shall not exceed say 360,000 cubic feet between fire walls; secondly, that floors and stairways shall be constructed to prevent the rapid spread of fire from one story to another; and third, that in high buildings intended to exceed the limit of 360,000 cubic feet, floors absolutely fire proof shall be provided for a sufficient number of stories to make certain that the combined capacity between them shall not exceed the suggested limit. Under such a proposition, a building of nine stories having a floor area of 10,000 square feet without division walls should be in three compartments, the floor of the fourth and seventh stories being so constructed that there should be no reasonable possibility of fires spreading above or below them. Such reforms should save from \$25,000,000 to \$50,000,000 per annum.

Perhaps the members thought this paper would be replete with details of fires of special magnitude; but experience has so often shown that these details are difficult to read and wearisome to follow, that accounts of such fires have been omitted.

As far as it could be done, fires involving more than \$50,000 loss have been considered separately; and 261 of these occurred outside of New York and Boston, consuming property to the extent of over \$40,000,000. It is needless to remind you that if these fires, numbering less than one-third of one per cent. of the 90,574 fires tabulated, could have been confined to the premises on which they originated, an enormous saving could have been made, as the entire loss represented was only \$120,000,000. In brief, it is evident that thousands of fires occur in this country, as in England and on the continent, which are of little moment in the aggregate; but that the facility with which fires spread in mercantile districts causes a few fires to destroy enormous values, in spite of the splendid discipline and effective appliances of our fire service, while the slow-going firemen and still slower apparatus on the other side of the water maintain a better record with comparative ease. It seems impracticable to bring about a change in this country without special State laws, but we shall be doing less than our duty if we omit to agitate the subject upon every possible occasion of this nature.

HERBERT FOLGER.

(Applause.)

The President—Gentlemen, the subject discussed by Mr. Folger is one of vast importance, and has been treated ably. Mr. Folger has a happy faculty of illustrating his papers, as you will observe. Our Association has been called a kindergarten, and following out

that idea we have object lessons furnished by Mr. Folger, which I have no doubt will be particularly interesting to you. The published report, which will give the statistics that he has referred to, will also doubtless be a very valuable addition to the records of this Association. I would be glad to hear from the members if they have any remarks to make on this subject.

I wish to say that during a conversation with Mr. Purcell, Assistant United States Manager of the Sun Fire Office of London, a day or two ago, he expressed himself as very much surprised at the high frame hotel buildings we have in this city, and remarked in passing, that in most of them he should decline to sleep on the top floor if the property was given him. He was surprised that they were able to get any tenants or occupants for these high frame hotel buildings. In New York in the brick tenements persons seeking quarters would first ask to see the air shaft, and dumb waiter, and elevator, to know whether it was fire proof and secure, before they would take the upper floors, but here, he was surprised to find, we have little difficulty in renting the upper floors of these five to eight story frame structures. He thought it was as much as a man's life was worth to sleep in one of them over night.

Mr. Folger has explained that in England slower methods and poorer apparatus are more successful in resisting fire losses than ours, because of the construction of buildings.

Mr. Osborn—I would like to ask Mr. Folger if the English law, prohibiting the excess cubic feet, makes any distinction as to the size of the building, that is, the height of the building; whether a one story building 150 feet long, with excess cubic feet, would be permitted, as against one that might be five, six or seven stories high?

Mr. Folger—The building law of London makes no restrictions as to the manner in which the cubic contents shall be estimated. If a building be 60 by 60 by 60, as the illustration here shown, the result would be the same, as if 60 by 100 and very much lower. They simply take the total cubic contents, and require that it shall not exceed the aggregate prescribed.

Moreover, if the London building to be erected shall be 60 by 60 at the base, and the owner desires to have it exceed 60 feet in



height, he is not prohibited from doing so, but at a distance no greater than 60 feet from the footings of the walls he must construct a floor which is absolutely fire proof, that the result will be the same as though the two separate buildings were placed one on top of the other. Moreover, the illustrations here are even less favorable to us than you would suppose, for the London building is estimated, as I have said, from the footings of the walls; that is, from the two or three courses of brick before the wall itself begins, so that where we use fourteen feet cellars, they would have to be considered in estimating the cubic contents, and would reduce the height. Whereas, all these Pacific Coast illustrations are taken from the street level.

The President—If there are no other remarks on this subject, gentlemen, our next paper will be, "Some Aspects of the Theory of Lines," by F. G. Argall.

Mr. Argall—Mr. President and Gentlemen: (Reading:)

#### SOME ASPECTS OF THE THEORY OF LINES.

A few months ago the President of the Actuarial Society took an occasion to express officially his opinion that, while papers of a temporary or local character are often readable and interesting, the formal sessions of a professional body should be mainly devoted to the consideration of questions of a permanent value. That his feeling on the point is fully in accord with the views of this Association is abundantly proved by the tone of our proceedings—past and present; and I sincerely wish I could lay before you to-day something worthy of your discussion or remembrance. I hardly hope for this, but shall be well satisfied if my remarks should suggest or lead to a fuller consideration of any one of the less known principles of our business.

In the theory of lines we have a subject which—while it is open in its various aspects to an endless amount of speculative and interesting treatment—possesses its main value for the present purpose in that it bears practically on our every-day work, and is directly connected with our primary function in life, that of earning a safe and regular profit for the stockholders we represent. The power to fix and preserve a true relative proportion in our underwriting liabilities is an absolute condition of anything like the fullest measure of success; and the failure to sufficiently appreciate this fact has, I am convinced, ruined more companies than all other causes put together. Inadequate rates and disproportionate lines are the Scylla and Charybdis of our business—with this further similarity to the classic fable, that inadequate rates form a bold, threatening promontory, which, if not avoided, must certainly be seen, by even the most careless mariner, while disproportion in lines becomes a deep, treacherous whirlpool into which our

EUSTON ROAD.

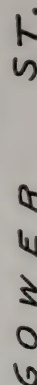


ST. BARTON

— LONDON —

Plate No. 5

TOTTENHAM COURT ROAD



GOWER  
PLACE

" "  $\frac{12}{5}$  — " LONDON —  
TOTAL 92 BUILDINGS.

Plate No. 5.

SCALE 70 FEET = 1 INCH.

NYC

( 1<sup>ST</sup> DIV. FLOOR SPACE DIVIDED INTO 75 COMPARTMENTS. SCALE 1/4" = 1'-0"

AVERAGE FLOOR SPACE OF EACH COMPARTMENT 1256 SQ. FT.

RATE OF INSURANCE 10s. 6d. OR  $\frac{21}{40}$  OF PER CENT.

2<sup>ND</sup> " " " " " 12 - " LONDON -  
3<sup>RD</sup> " " " " " 5 - " LONDON -

TOTAL 92 BUILDINGS.



ship may be drawn insensibly, but irresistibly, and with a smooth relentlessness which forms its worst danger.

Admitting even the partial truth of my contention, it is worth noting how completely the science of lines is ignored by what may be termed our educational literature. It does not seem to have been much discussed in even such representative publications as the *Monitor* or *Coast Review*, unless, perhaps, in some of the older numbers. There is nothing bearing on it in either the standard text books, from *Emerigon* down to *Clements*, or in the smaller handbooks of general practice. All of these leave the matter severely alone, apparently as being outside their province—which, perhaps, it is. Most remarkable of all, there is, if we may trust the indexes, nothing whatever on the subject in the proceedings of our own Association for the sixteen or seventeen years of its existence, with the single exception of a paper contributed by my good friend, Mr. Andre; and this, though entitled “Rates and Lines,” is rather a plea for discrimination in rates than a discussion on lines. The only printed matter I can find of direct assistance in the present connection is a brief but very thoughtful and able article on *Average*, written some time since by Mr. Walter S. Nichols, to whom I take this opportunity of making my cordial acknowledgments. The point, however, I desire to make is that there are at present no accepted rules or established principles by which the net holdings of a company may be examined; and that, as regards this most vital question, the responsible underwriter of a company must determine his own policy and work out his own salvation.

That fire insurance is a business of the greatest complexity no one in this room need be told, little as the fact is realized or recognized by the outside world. It is a plain presentation of a simple truth to say that the successful management of a large company requires qualities and abilities of an order and range which would ensure eminence and distinction in almost any sphere of life. In no department of an underwriter's duties, however, is there a better opening for the profitable exercise of judgment than in the handling of lines. It may, possibly, be claimed that the correctness of rates is of the more primary importance. It is certainly true that no company can hope to prosper unless it receives on its aggregate transactions a premium revenue proportionate to the liabilities it incurs. But rates, as a general thing, may safely be left to look after themselves. They are governed, to a certain extent, by the laws of supply and demand. It is to the interest of every one in the business that they be maintained. They are always, as it were, in evidence; and errors of calculation in them (as a whole) are usually more or less obvious, and, at the end of a year, or succession of years, can be met with comparative ease by that convenient if illogical expedient, a general increase over the whole of an unprofitable district. Moreover, in fixing our rates we enjoy the cardinal advantage of a century of combined experience, compressed and crystallized into the statistics and schedules we now have on file either in our own offices or with the various organizations to whom we choose to delegate so large a proportion of our functions. It is therefore possible to debate the question of rates with something definite to work from, and, as Mr. Moore has so ably



demonstrated, with something approaching an accurate and precise method of application.

In considering our present subject, however, where are we to begin? or where shall we find a foundation on which to build? It cannot be considered alone. It is inseparably bound up not only with such familiar and practical matters as risk and rate, or the classification of risks, but with such wider questions as the relations between capital and reserve or capital and income. Some of the problems involved are most abstruse and complicated; and in the whole range of our professional work I suppose there is literally nothing on which so wide a diversity of opinions exists, and which it is so difficult to bring under the ordinary rules of investigation. We have here to-day representatives of offices which stake their faith on "large" lines, and do not hesitate to freely advertise the fact; while others of us have been educated to a firm belief in "small" lines as our guiding principle. When experts differ to such an extent on so material a matter—and, be it specially noted, *all make money*—who shall presume to lay down the law with any confidence? One is almost led to the conclusion that, within certain limits, either system will bring out pretty much the same results.

It is a threadbare truism to say that the insurance business is built up on a foundation of average. But it is a good deal easier to make this general statement than to follow in detail the obscure workings of the laws of average, as they actually affect our transactions. To begin with, the laws of average themselves are far from consistent in their results, unless they have a much larger field of operation than the insurance business usually permits. Furthermore, our basal facts are not (and, from the very nature of things, never can be), either fixed or thoroughly reliable. It is necessary, therefore, in determining our policy on any given matter—whether it be rate or line, or the writing of a particular class of hazard—to make provision, firstly for that inherent chance of fluctuation from the normal which exists in every abstract proposition dealing with numerical probabilities, and secondly, for the chance of error in our estimation of the real character of the proposition. To illustrate: We will assume that the experience of writing, say, 20,000 risks on frame detached dwellings of a certain class justifies us in the expectation that out of a further two thousand dwellings, apparently similar in character, such a number will burn in a year as would equal ten total losses. On this basis, and allowing 40 per cent. for "expenses" and 10 per cent. for "profit," we should rate such dwellings at 1 per cent., and (according to average) the underwriting account for so carrying 2,000 such risks at \$2,000 each, would stand as follows:

*Debit.*

To premiums received, 2,000 risks of \$2,000 each at 1 per cent. . . \$40,000

*Credit.*

By losses paid (equal to ten total losses) . . . . . \$20,000  
 " expenses (40 per cent.) . . . . . 16,000

---

36,000

Balance, being our stipulated profit of 10 per cent. . . . . \$ 4,000

This is all clear sailing, so far as it goes. But we are writing a small number of risks on the strength of an experience with a much larger number; and the 1 per cent. rate is fixed on the larger experience. A mathematician will tell you that the risk of fluctuation from a given average is as the square roots of the numbers. The square root of 2,000 would be about 44, but the square root of 20,000 would be about 141, or, say, three times as much. If it be assumed as a standard that the 1 per cent. rate, based on the twenty thousand transactions, included the reasonable allowance of 10 per cent. for the risk of fluctuation from the normal average, it would be necessary to make the allowance about 30 per cent. (three times as much) to secure a warrantable degree of safety in writing only two thousand transactions. In other words, you would have to add nearly 20 per cent. to the rate, and make it about 1.20 per cent. instead of 1 per cent., in order to be measurably safe. If, however, we were to write an additional 20,000 dwellings, the 1 per cent. rate, based on a similar and fairly wide previous experience, would be very much safer.

It may be noted that, in making this little calculation, we are working on an obvious principle which can be expressed in the RULE that—

"The larger the number of (equal) transactions, the greater is the chance of approximation to the true average."

It should not be forgotten, however, that before we could work out our conclusion *we had to take something for granted*, just as every syllogism in logic must start with and depend on certain premises.

The foregoing is an example of the working of what may be called the purely mathematical odds in the transaction, regarding it as a simple "gamble." The other chance which we have to take into account is (as already indicated) the possibility of error in our classification of the respective risks. In other words, we must provide by a further loading of rate for the possibility that the two thousand risks, or a preponderating proportion of them, are not in reality just what the previous 20,000 were. This contingency is not so close as the other to the matter in hand, and need not be illustrated so fully; but it is clear that it is a real danger, and it is also clear that (other things equal) it is proportionately lessened by every successive increase in the number, or distribution, of transactions. It consequently comes equally under the operation of the rule quoted above, the working of which I have set forth at some length as we shall presently require a recognition of it.

It may be well to say that throughout this paper I purposely omit all consideration of reinsurance, which does not touch the main issue; that I figure, for the sake of simplicity, on total losses only; and that, as the basis for profit, expenses and losses, I take arbitrary percentages, such as are easily handled, without reference to our real experience. Furthermore that, dealing with theories, I look on the whole matter from a home office standpoint (which may or may not be necessarily distinct from that of a branch office or a general agency), and that I do not take into account the compound question of conflagration or even exposure hazard, my object

being simply the establishment of the elementary principles of the line itself.

A few moments ago I assumed that our primary function in life is to make a regular profit on our capital, which is obviously entrusted to us for that special purpose. We are, however, responsible to our stockholders, in a co-equal degree, for the preservation of that capital, since it is placed at our disposal purely as a reserve force, and with no intention that it shall ever be drawn upon for the payment of losses or other liabilities. The first named duty carries with it the obligation to incur a certain amount of risk (for without risk there can be no premium), while the second carries the obligation of keeping that risk within the bounds of safety. It is clear that these two obligations are of entirely diverse nature, and are reciprocally in conflict. It is also clear that the proper adjustment of them cannot be reached without a special consideration of the *amount* of risk incurred—that is, of what in our technical parlance is the line, or limit.

It seems pertinent to consider here for a moment the meaning of the word "safety," as it has just been used. How many companies are really "safe?" That is to say, how many companies could pay their obligations and keep their capital intact, were there to occur simultaneously or in rapid succession two or three, or more, of the monster conflagrations which are always being predicted? Boston burned within a few months after Chicago, and we know how many companies closed their doors from the effects of those memorable catastrophes. Have the conditions changed? Do the fire departments even claim the ability to control fires in the eight and ten story structures which are now scattered, with a compound increase of danger, through all our cities? The aggregate cash capital of all the insurance companies transacting business in the State of New York amounts to less than \$100,000,000. There are several cities in the country where the burning of comparatively limited areas would cost the companies more than this sum. And there can burn at any time in the city of New York a district less than a mile square which contains property valued at more than three hundred million dollars. Even allowing for surplus funds and reserves, such a fire as this would certainly bankrupt beyond hope many companies which are to-day regarded as altogether beyond the reach of disaster. Are we to assume that it is in conflagrations alone that history will fail to repeat itself? I ask these questions not because they contain any element of novelty, but because I want to emphasize my point. Answering them in the only way possible, it seems indisputable, that, while some companies are undoubtedly "safer" than others, there is in practice no standard by which their true strength can be tested, and that for an ordinary fire insurance company, doing a general business, "safety" is a purely relative term.

At the same time small or moderate lines are universally looked upon by experts in the business as an element of safety—though sometimes, perhaps, in a vague and imperfectly understood way; and expert opinion should always command respect and must always carry due weight. This principle is also directly recognized by the laws of some States—California and Idaho, for instance, in our own field—when they provide that no company shall hold on any single risk a sum exceeding one-tenth of its paid up capital.



The principle is also recognized, inferentially, by other States and Territories—Montana, Wyoming and New Mexico, for instance—when they provide that the annual statement of a company shall contain an item showing the largest amount insured in any one risk. The State legislatures, however, have no concern for the safety or prosperity of an insurance company, except so far as regards the protection of policyholders, and they therefore fix a maximum much exceeding what would be authorized by any prudent underwriter, who has also to look to the protection of his stockholders. It is, by the way, not at all clear what the law means by a “single risk,” as the limits of such can only be fixed by the possible limits of a single fire—in many cases an altogether unknown quantity; but this question is outside our present inquiry, and should be considered together with the conflagration hazard—which, as Rudyard Kipling would say, is “another story.”

As to the theory of the line itself, some underwriters seem to think that the amount should depend upon or have some connection with the amount of capital or reserve—in other words, that a company having a large capital or reserves can write larger lines than a company with smaller resources. This is the view evidently taken by the legislatures. But I confess I am unable to see any connection between lines and capital, unless, indirectly, through the fact that a company with large capital or reserves usually (though by no means invariably), does a proportionately large business. As already brought out, capital is not intended for the payment of losses. To my mind lines must be based on one thing, and one thing only, viz: *premium revenue*; and if we may take this for granted, we shall have gained the first step in our investigation. But there is, after all, only a portion of premium income which is intended for the payment of average losses; and there is only a still smaller portion (the expected profit) which is available for the protection of accidents or fluctuations, beyond the average. It would seem, therefore, that lines must be fixed with some reference to the expected profit. The 2,000 dwellings above referred to would hardly be enough in actual practice to obtain a fair average; but we have the figures cut and dried, and will take them as an example. At the normal rate of 1 per cent. (which is all we should probably get, in view of the competition of other companies), the expected profit is \$4,000; and the lines, as we know, were taken at \$2,000 all round. On this basis it would take the equivalent of two extra total losses, or four extra 50 per cent. losses, or eight extra 25 per cent. losses (a comparatively large proportion), to sweep away the whole of the profit. It would not, however, be prudent to raise the limit on *any one risk*, or a few of the risks only, to say, \$4,000, as a \$4,000 risk might be the extra one to burn, and if so, would by itself absorb all our expected profit. The small additional premium gained by a few \$4,000 risks would not be sufficient to carry the accompanying chance of heavier loss, although that chance is of course only a remote one.

On the other hand, if, instead of 2,000 dwellings at \$2,000 each, we were writing 4,000 dwellings at \$1,000 each, we should evidently be in a still better position, as by the increase in the number of transactions one of the dangers—that of fluctuation—has been reduced, while both our premium in-



come and our expected profit remain the same. Personally, I think that fifty, or even twenty-five, per cent. of the expected profit is too much to risk on any one fire, and that fifteen or twenty per cent. should be about the maximum, on which basis a company doing an annual business of, say, \$100,000, with expected profit of 10 per cent., or \$10,000, would limit its highest lines, to say, \$2,500. Following out this line of argument, we may reasonably assume that (with a proper distribution of risks) the higher the expectation of profit, the larger are the lines which may be written without a sacrifice of safety, that is, without risking the loss of capital. Other things equal, an aggressive company, which contemplates a rapid and sustained increase of premium income, can probably afford to write larger lines than a more conservative and slowly moving company; and an interesting feature in the evolution of a "small" company into a "large" one is made up of the successive changes and modifications in its scale of lines, which are not only allowed, but almost demanded by the evolutionary process.

As a matter of fact, there is no unanimity of practice whatever on this question of the maximum line, and, as we all know, the policy of different companies varies greatly, even where their financial standing and premium income closely correspond. It seems to be purely a matter of individual judgment, analogous to the personal responsibility of a merchant to avoid overtrading; and the essential conditions which govern the subject appear to be still awaiting their thorough elucidation.

From the midst of all this uncertainty, however, one main principle always seems to me to stand out clearly and distinctly. It is obviously necessary to determine some maximum line which shall set the limit for our very largest transaction; and, in my judgment, *every risk on our books, without exception, should have a direct, distinct and individual reference to that maximum.*

It seems proper that the amount of the maximum line should be fixed in the board room of a company, rather than in the outside office, being a matter akin to other questions of financial policy, such, for instance, as the disposition and apportionment of profits. And it is tolerably evident that the maximum line would in effect be represented by the highest amount which the company would run the chance of losing on a single risk of the class least likely to burn—that is, of the class on which in theory it would accept the lowest rate of premium. But it would be impossible for any board to fix a specific scale of limits which would embrace all the widely different classes of risk upon which we usually write; and yet absolute consistency and congruity of lines is an essential of complete success. What we need, therefore, in practice—our standard maximum being first determined—is a means of regulating to that standard any and all business which comes to us.

Every underwriting proposition which is entered on our books contains three intrinsic quantities, which, to borrow the symbols of algebra, we can define as follows:

- x. The pure hazard incurred—that is, the exact risk transferred from the assured and assumed by the company; the actual thing purchased.

- y. The cost of dealing with that hazard and its results—the expense of handling the thing, bringing it to market and disposing of it.
- z. The profit earned or expected in the transaction; the consideration for which the risk is assumed.

It is obvious that  $x$  represents a certain contingency, the value of which can be easily enough ascertained if we know (as we assume we do, by our very quotation of a rate) the sum of the proposition as a whole.

Going back again to our insurance on the two thousand dwellings, any single transaction could be defined as a hundred to one chance of a \$2,000 loss maturing within a year. For assuming this chance we receive (at the normal rate) a consideration of \$20.00, which amount—taking the same ratio of expense and profit as before—would be constituted thus:

For $x$ , the pure hazard—the actual thing purchased . . . . .	\$10.00
For $y$ , the expense . . . . .	8.00
For $z$ , the profit . . . . .	2.00
	<hr/>
	\$20.00

It would therefore be correct to say that \$10.00 represents in our opinion the *cost price* of the actual thing purchased. Putting this the other way, the assured in each transaction gets \$10.00 worth of pure insurance. We are now approaching somewhat debatable ground; but I venture the assertion that we want to get out of every separate risk we write as much profit as possible, consistently with safety. Many of the policies we write are for small amounts; and on these we must perforce be content with a small profit, for there is nothing more than this in them under any circumstances. But when a \$50,000 line on, say, a brick court house, comes our way, we immediately figure on the highest amount of profit we can get out of it, which is another way of saying the largest sum we may safely carry on it, as we must assume, for the sake of argument, that every premium contains not only the potentiality, but a certain measurable expectation of profit. And we figure just in the same way on a quartz mill, or a machine shop or a saw mill—that is, if we cultivate those risks at all. I have already attempted to show that consistency of lines is of the first importance; and, if this be true, we do not want to carry a full line on one risk, and only half a line on another. No practical underwriter would argue that the line for a saw mill, at ten per cent. should be the same in dollars and cents as the line for a brick court house at 1 per cent.; but I do think they should be relatively and proportionately the same. In other words, that the net amount of hazard incurred on each, and that the average amount of profit on each, should be exactly the same. In short, when we get adequate rates, and when the option is given us of carrying as much as we like, I see no reason why the  $x$ ,  $y$  and  $z$  of all the net transactions on our books should not be absolute equivalents, so far as they can be made so with reference to past experience.

Before a man assumes to handle lines, he should, presumably, be a fair judge of rates. To such a judge it is an easy task to find with a moment's thought the exact line to carry on any risk so that it shall be the equivalent

of any given standard. All that is needful is to fix upon your idea of what is the "correct" rate, and then go through the little operation known in arithmetic as reducing your "fractions" to a common denominator, the said denominator being the  $x$  of your standard maximum. In the P. I. U. basis schedule fifty cents is the lowest rate, and, with the extreme exception of powder mills, 10 per cent. is the highest rate recognized. Working on the P. I. U. schedule, and with a "standard maximum" of \$5,000, we should consequently write \$5,000 on a brick dwelling at fifty cents, \$2,500 on a brick court house at 1 per cent., \$1,000 on a quartz mill at 2.50 per cent., \$500 on a machine shop at 5 per cent., and \$250 on a saw mill at 10 per cent. In each case we should receive a \$25 premium, which (if the respective rates are right) would give us the same average of profit and of loss on a thousand dwellings as on a thousand saw mills, or on one dwelling as on one saw mill; and, under the conditions named, I claim most emphatically that, *provided the rates are right*, a net cover of \$350 on the saw mill, or \$700 on the machine shop would be an overline as much (and *just* as much) as a net cover of \$7,000 on the dwelling. In figuring on our two thousand dwellings we came to the conclusion that we could not raise the limit on one risk, or on a few of the risks, without sacrificing safety; and the far greater chance of a \$350 saw mill loss is—under the conditions named—the precise equivalent of the much smaller chance of a \$7,000 dwelling loss. At the same time we should remember that, if the premium income of the company or other considerations justified a maximum of \$7,000 on any risk whatever, we could then—provided, once more, the rates are right—take \$350 on the 10 per cent. saw mill, \$700 on the 5 per cent. machine shop, and so on. Furthermore, it would be absolutely necessary to write such larger lines on each risk, if we want to get the highest safe profit on each transaction or on our business as a whole.

Now, it is the easiest thing in the world to criticise the principle of fixing lines on the basis of the rate; but, under existing conditions, I contend it is the only sound and defensible method of approaching the subject—stipulating, however, that by "rate" is meant the "*correct*" rate and not necessarily the rate actually obtained. If we could classify our various risks not according to their generic occupancy, but according to their real intrinsic hazard, and label them, with reference thereto, by name or number, the difficulty would be avoided; but for our immediate purpose (which is not that of classification), such a course is plainly impracticable. A detached dwelling, worth seventy-five cents, is not, from our present point of view, the same risk, or even in the same class of risk, as a dwelling in a range worth 6 per cent., or a dwelling in hazard of a saw mill worth 10 per cent. It would be absurd to so consider them, although it is true enough that they are both "dwellings." All we can do, therefore, is to label our risks by their only really salient characteristic, which is the rate. Again, we are compelled to assume, for the sake of argument, that current rates do correctly measure the hazard (to the extent, at least, of containing the expectation of *some* profit); and, if we do not admit this in any given transaction, we impale ourselves on the other horn of the dilemma, and stultify ourselves by the confession that we are writing the risk at a dead loss—

GRAVE

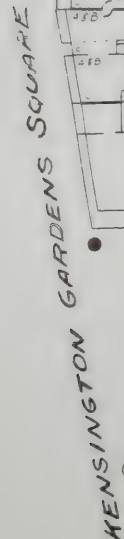
NAME \_\_\_\_\_

A detailed street map of a section of New York City, showing streets like Henry St, Canal St, and various numbered streets. The map is oriented with North at the top. The text "NEW YORK" is visible in the upper right corner. The map shows a grid of streets with various buildings and landmarks marked.

Plate No. 7.



GROVE



## GARDENS

1<sup>ST</sup> FLOOR SPACE DIVIDED INTO 109 COMPARTMENTS.  
AVERAGE SIZE OF COMPARTMENTS: 646 Sq Ft.  
2<sup>ND</sup> DIVISION DIVIDED INTO 411 COMPARTMENTS.

**LONDON**

SCALE - 70 FEET = 1 INCH  
RATE OF INSURANCE 215. OR  $\frac{1}{20}$  PER CENT.  
TOTAL NO. OF BUILDINGS 149.

DOUGLAS PLACE

QUEENS ROAD

Plate No. 7.

which no sane business man could afford to admit. It is obvious, of course, that a scientifically "correct" rate should not only cover the intrinsic fire hazard, with the necessary loadings for safety and profit, but should also recognize and allow for all such points as fire protection, excessive susceptibility to damage, amount of insurance as compared with value of property, conflagration risk—in fact, everything except the moral hazard. If it did not do all this, it would be equally useless either for our present purpose or for its main purpose, that of providing for a probability of profit.

According to statistics the average underwriting profit on the American business of all companies is about 4 per cent., which, however, includes failing and badly managed concerns. If we assume that a well managed company can make on its net premiums an average profit of 10 per cent., that figure will be the measure of the margin within which we can deviate without actual loss from the true rate demanded by the hazard. *Within this margin* we can, if we choose, write on any risk where the rate is not in our judgment fully adequate, and still retain the expectation of some profit; and for such cases my principle works out as well in practice as for those cases where we assume the rate is absolutely correct. All that is necessary is to determine what we consider would be an adequate rate, and fix the line according to that rate (and, of course, with reference to our standard), but regardless, for the moment, of the actual rate we are getting. An illustration will perhaps better bring out my meaning: On a brick court house at 1 per cent. we might be willing to write \$2,500, assuming 1 per cent. to be, in our judgment, the proper rate. If, however, we considered this rate inadequate, and that the rate ought really to be 1.10 per cent., we should fix the line at the nearest round figure to \$2,272, say \$2,300. To check this, we could figure that,  $110 : 100 :: \$2,500 : \$2,272$ ; and, in carrying \$2,272 on a risk worth 1.10 per cent., we are (*whether we get that rate or not*) running a chance of loss which is the exact equivalent of the chance of loss under a \$2,500 policy, on a risk worth 1.00 per cent., or a \$250 policy on a risk worth 10 per cent. This can easily be proved by a dissection of each transaction into its *x*, *y* and *z* components. It is clear, that, under such conditions, we should not write \$2,500 on a risk worth 1.10 per cent., for that would be the equivalent in its chance of loss to \$275 on a risk worth 10 per cent., or \$5,500 on a risk worth fifty cents; and either of these would be an overline of 10 per cent. above our standard maximum. If we considered the court house worth as much as 1.40 per cent., we could not, with an expectation of profit, write any amount on it at 1 per cent.; and if we were to take \$2,500 on it at that rate, we would both lose a few dollars out of pocket on the transaction, and (which is far worse) would in addition be carrying thereon an overline equivalent to \$7,000 on a fifty cent dwelling—that is, an overline of 40 per cent. above our standard maximum. If my arguments contain any element of value, such an overline, often repeated, would mean a serious sacrifice of safety.

When our worthy President recently honored me with a request for a paper, he was also good enough to select the subject, and this must be my excuse for any apparent presumption in speaking to you on a matter of which I know so little. As to the considerations which should guide us in fixing

our *highest* line, I frankly confess to a state of uncertainty; but *consistency* of lines is another and simpler affair, and I respectfully submit for your consideration the foregoing, as an attempt to throw some light on the first steps of an unsettled problem with which we are meeting every day of our lives.

F. G. ARGALL.

(Applause.)

The President—Gentlemen, I am sure you will agree that I made no mistake when I requested Mr. Argall to write this paper. It is a very thoughtful production. In planning the programme, it occurred to me that the discussion of this subject would be of value to all. I thought of those companies which evidently operate upon the theory of small lines, and requested a representative of that class to write a paper on this subject. I then endeavored to find an office whose theory was exactly opposite. That is to say, one which writes large lines on all possible occasions. I found a number of them, but was not fortunate enough to find any one to write. Col. Kinne, representing this class, declined. Mr. Parker of the Palatine, which company is a large and liberal writer, agreed to write a paper, but afterwards found it impossible to get the time to do so, and I am, therefore, unable to present that paper. Mr. Argall took the matter up on its merits without reference to any preconceived theories. We would have been pleased to have had the paper promised by Mr. Medcraft, but failing in that the members will welcome some remarks on this subject from him.

Mr. Medcraft—Mr. President, I apologized to you for withdrawing my paper on the same subject as that taken up by Mr. Argall and Mr. Parker, but after hearing Mr. Argall, I am very glad I did, because I think that Mr. Argall's paper is clear, concise, and "clean-cut," and well covers the ground intended to be covered. Mr. Argall, will, I think you will all agree, rival Mr. Folger himself in the interest of his papers prepared for this Association.

It is the case that without any comparison of matter or notes one with the other, Mr. Argall's paper, and the paper I had in mind to present, would largely have duplicated each other, even to the use of algebraic formulæ, to indicate the connections, and in a general way, I am in harmony with his views. But I dissent from the

proposition that in the rate is to be found almost exclusively the reason for and the key to the graduation of lines.

I agree with him as to the establishment of a maximum line on any kind of a risk. That, however, is to a great extent a financial proposition, to be directed by those who hold the reins of the capital. But the plan of grading lines according to rate is fallacious; if you have two acceptable risks on which you are satisfied that the obtainable rates are respectively sufficient, you can as profitably write on each a ten thousand dollar line as a one thousand dollar line—always provided your permissive maximum, based on economic bases, permits it.

A point of interest arising out of Mr. Argall's paper is in regard to the matter of the exposure hazard (not conflagration). For the purpose of argument, I will place every risk in one of two classes—simple and compound—the latter comprising every kind of a risk exposed by another. In other words, every kind of a risk except that of a simple occupancy, unexposed. It would thus include for instance, a dwelling risk exposed by another dwelling, as well as a dwelling exposed by a factory. Now, where is the theoretical basis for determining the exposure hazard? You have two dwellings each unexposed. These two then are available for two separate full lines—say  $2x$ —also, you have two dwellings exposing each other. As a matter of theory at least, there is an ascertainable ratio between the line applicable to these latter two and the  $2x$  line previously named. That is, between the double individual line in the first case, and the line applicable to the joint hazard in the latter case. Now, the line  $2x$  when applied to the latter case will naturally be affected by the varying conditions—physical or otherwise—existing in the two exposing risks individually considered. There may be between them a difference in height, or a difference in constructive merit, or a difference in age. Can he trace the regulating thread? What is the theory by which we can positively fix the proportions, the percentage of deduction from the combined individual lines, which shall make the proper allowance for the combination of the varying hazards. Similarly as regards a compound hazard exposed by another compound hazard. The line on the two is in neither case the half



of the double individual line, pure and simple. It is not a case of treating the line on either, as the line applicable to the two.

There is an exact arithmetical or geometric progression to be defined. Between simple risks the ratio of increase of hazard has as its foundation the principle of arithmetical progression. Between compound risks the principle is one of geometric progression, and as a sequence to Mr. Argall's paper to-day, we will look forward to a discussion of this particular aspect of the matter, at our next meeting.

(Applause.)

The President—Would be glad to hear any other remarks on this subject.

Mr. Folger—I would like to say that I fail to agree with Mr. Argall upon one point. The paper, I think, is admirable. I could not attempt anything of the kind. It was suggested that the maximum line carried by a company was, in the writer's opinion, dependent upon the premium income, and not upon the capital. I am in accord with neither proposition. The law in most of the American States requires that a company, to continue in business, must have its capital unimpaired, and a reserve sufficient to reinsure its business. Anything above that is held as surplus. If a fire should cause a company to pay out at one time \$100,000 and its *surplus* is lost, it is immaterial whether its *capital* is \$4,000,000 or \$400,000, the company will be driven out of business by such loss unless its surplus shall be restored to at least one dollar. Therefore it appears to me we must grade the lines of a company by the surplus which it possesses, from which it may pay exceptional losses.

Mr. Medcraft was of the opinion that the line carried on any one risk need not be limited; that if the rate of one per cent., in other words, is advocated, there would seem to be no reason why, that being the proper cost price wanted, they should not carry \$10,000 or \$100,000, as well as \$1,000.

Mr. Medcraft—Subject to the permissive maximum.

Mr. Folger—Yes, sir. There was one point that occurred to me, Mr. President, in listening to Mr. Medcraft's argument, that might

get us into difficulty, in the latter part of his remarks. If ten of the paper boxes on this table represented ten brick mercantile risks, on any one of which with ordinary exposures, in *separate* localities, the company would be willing to carry \$10,000, it seems to me that when the risk, theoretically, of \$100,000 is placed together, it would subject the company to the exposure hazard. That we cannot, in other words, if you reduce the comparison to smaller figures, as safely carry \$10,000 at one per cent., as we could \$1,000.

Mr. Argall—I would like to say, in further explanation of my line of thought in the matter, that I carefully avoided any reference whatever to compound or exposure hazard, for the reason that we have not yet, so far as I can see, any firm ground to work from. I simply touched upon the single line which we must necessarily take as the basis for considering the other cognate questions which naturally follow.

Mr. Folger—I think, Mr. President, that the point Mr. Medcraft suggested to Mr. Argall, and to me as well, is very good. I was glad to have his suggestion that the right way out of it is to reduce somewhat the line on two risks as compared with one.

The President—I would like to hear from other gentlemen on this important subject. Mr. Lowden.

Mr. Lowden—I have not thought it out, Mr. President.

The President—You have the practice. Mr. Devlin.

Mr. Devlin—I am unprepared to speak at this time, as it is a subject requiring considerable thought.

Mr. Dornin—I make no pretension of knowing what the application would be of the recent methods. But we will endeavor to hold our own business, and to get as much of the other fellow's as possible.

The President—It is a very common thing for special agents to note on inspection slips, "reduce from \$2,000 to \$1,500," or "reduce to \$500 at expiration." There must be some theory for this in the mind of the special agent, and I would like to have explained why these suggestions are made on the expiration slips.

Mr. Lowden—The special agent is simply afraid the thing will burn up, and he wants to have the losses as low as possible.

Mr. Osborn—That is so, and possibly to make his manager think he has worked out the problem.

Mr. Fogarty—I do not know, Mr. President, but what there may be more than one reason for that. Mr. Lowden suggests the apprehension of the special agent for the risk proving a loss, and his laudable desire to have as few of the shekels of his company disposed of as possible. Again, during his investigations and inspections in a town, the special agent passes on a large lot of desirable business, and in connection with it he finds a few off-colored risks which possibly his local agent is directly or indirectly interested in, and he is disposed to reduce the liability on that, and frequently remarks in his endorsement slip, to “reduce at expiration,” or “re-insure down,” as the case may be, and let some other fellow participate in the possible liability.

The President—There is such a wide difference in the views of companies, or at least with a number of companies, that I have no doubt after Mr. Argall's paper is printed it will be read and applied, or an effort will be made to get out of it some consistent views on this subject. Now, I am free to say that I do not believe many offices are consistent on the question of lines. We are actuated too much by our prejudices or impulses, and we ought to be very careful not to be stampeded by one or two or three bad experiences in succession, for our practice should be based on the results of many years, rather than upon the result of one year.

Mr. Lowden—Mr. President, there is only one remark to which I wish to take exception, and that was made by my friend, Mr. Folger. I agree with him in a great many of his ideas regarding the business, but he says that the line should be governed by the surplus of the company, instead of, as suggested by Mr. Argall, that it should be by the premium income of the certain department. I would call Mr. Folger's attention to this phase of the question. We will say that the premium income of this whole Pacific Coast department is \$12,000,000, and the losses are \$6,000,000, which would be, say at fifty

per cent. loss ratio, and if you are doing an average business, your loss ratio would be fifty per cent., or the general average for the whole Coast. The ideal way to reach that result would be, if one hundred companies are competing for the business, you should have one hundredth part of every risk written in this department. Consequently I think that a company's line should be governed almost entirely, in any of our departments, by the premium income of that department.

Several voices—That is right.

Mr. Folger—I am in accord with what Mr. Lowden has said, and he has presented more clearly than I have, my ideas on the subject as to *single* lines.

The President—The common practice, I think, is to write a full line, and then not more than half a line on either side. Whether that is based upon any actual experience or not, I am unable to say. I presume the theory behind it is that if one risk burns the same fire is not likely to burn the risk on each side; hence, such a division will not involve you in a loss of more than two total lines.

Mr. Argall—I have refrained in my paper from committing myself on the point; but must confess that if I had to argue on two propositions—one, that lines on the Pacific Coast should be handled from the home office point of view; and the other, that the lines on the Coast should be handled from the Coast standpoint—I would certainly take the home office side of the case.

What I mean is this: If you are going to take each department on its own merits, where are you to draw the line? Could not our local agents also take, each for himself, the same ground? If we look to our Sacramento agent for a regular profit, year in and year out, should he not also have the power to fix lines suitable for his smaller field? We are, most of us, general agencies here, and if we act on the other principle it is difficult to see where to draw the distinction.

Mr. Lowden—In answer to that, I would simply call Mr. Argall's attention to the fact that the London companies more particularly base their lines on the construction of the London buildings, and



their education has been that they can afford to carry very large lines, and make money. Our experience on the Coast here is very different. If you follow out the recommendation of your home office and base your lines on the Pacific Coast department, on the lines carried by your company over the world, you will have as a result a very lumpy series of profit and loss. In other words, you will have this year an abnormally low loss ratio compared with the loss ratio of the Coast. The next year you will be away out of sight; you will get hit on some of these large lines as you did at Portland. (Laughter.)

Mr. Argall—Excuse me, gentlemen, for taking so much time on this matter, but unfortunately, I have not made my views very clear. If the hazard on a risk here is so much greater, then the application of my theory would require you to carry a proportionately smaller line, as the correct rate would be so much higher.

The President—It goes without saying, that the head office desires each of its departments to pay.

Mr. Lowden—That is right.

The President—Theoretically, Mr. Argall is doubtless correct from the company's standpoint. They must regard us as we regard the local agent reporting to us, and therefore their chief aim is to get a profit out of the whole business transacted, whether it comes from our department or not, and in the general instructions received by most of the managers, I presume something like this will occur: That we desire you to apply these limits boldly, at the same time we will hold you responsible for the results in your department. (Laughter.)

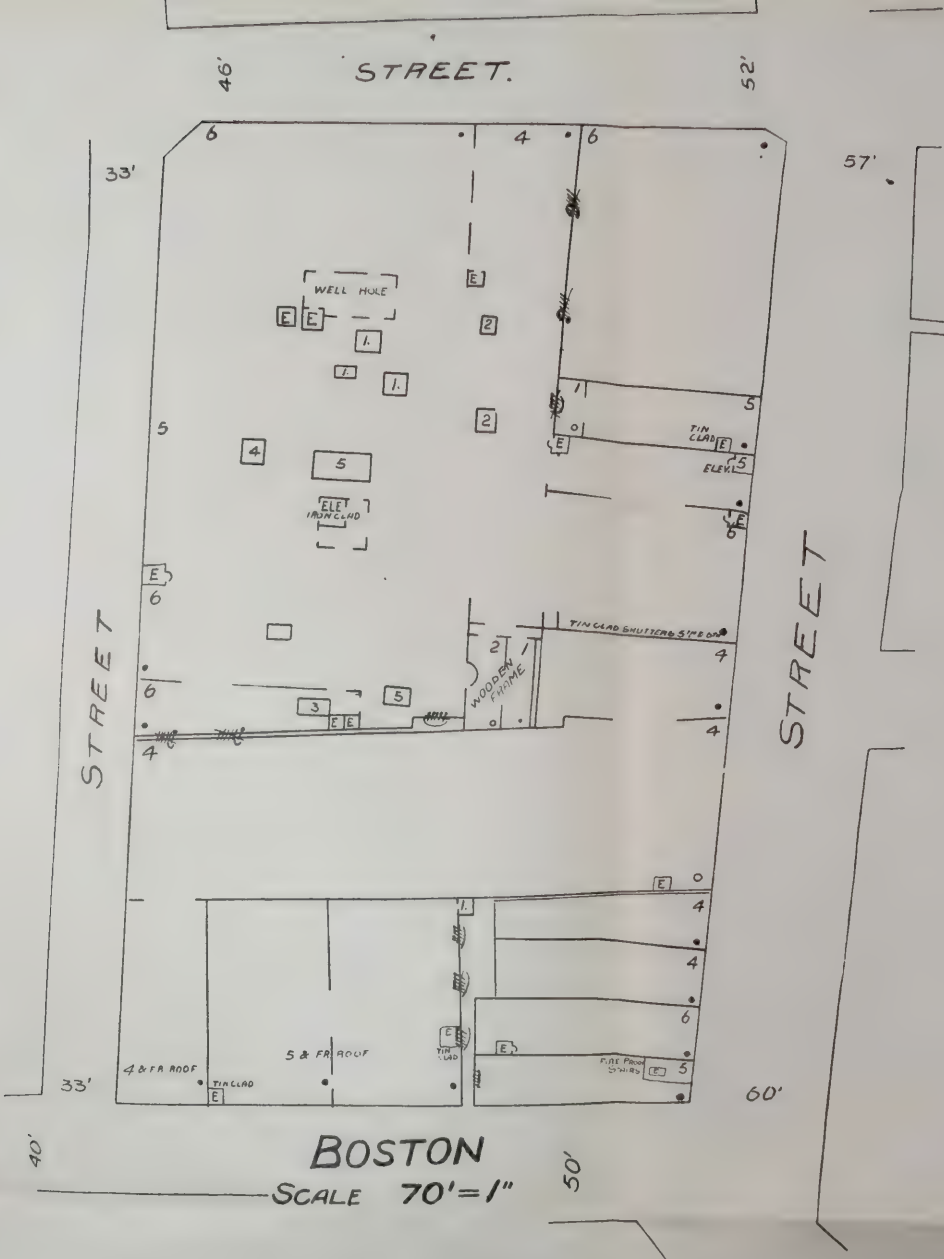
I regret that Mr. DeVeuve is not present to read this paper, number twelve. I am not sure whether he will be present or not at the afternoon session. We have left, as far as the programme is concerned now, nothing but numbers fourteen, fifteen and sixteen. That is, the reports of committees, election of officers, and the reading of the "Knapsack," for this afternoon. I think it is quite possible we may have a paper which is not on the programme, by a member whom you will be glad to hear, but I will not be able to an-

STREET

3

STREET

Plate No. 12.



nounce it at this time. Is there any further business at this morning's session, Mr. Secretary?

The Secretary—No, sir.

The President—I will say again that we have quite a large quantity of these programmes, and would be glad to have you take them and send them to your friends. I think it proper to say that the design on the front cover of the programme was drawn by Mr. F. B. Kellem, of the Royal-Norwich Union office. I think it a very creditable design.

Is there any further business?

Mr. Lowden—I would move that a vote of thanks be tendered to Mr. Kellem for what he has done for the Association.

Mr. Gibbons—Second the motion.

The President—It is moved and seconded that the thanks of this Association be tendered to Mr. Kellem for design drawn for us, and which is used on the programmes and menus. All in favor of the motion will signify it by saying aye. Contrary, no. It is so ordered.

Gentlemen, if you have not already given your names to the chairman of the dinner committee, there are some blanks here. I trust you will not neglect the matter. Mr. Spencer informed me just before I came to the meeting that seventy persons have signified their intention of attending. That will be quite a large company.

A motion to adjourn to this afternoon will be in order.

On motion an adjournment was taken until 2 o'clock.



## AFTERNOON SESSION.

The President—Gentlemen, I was compelled, at this morning's session, to announce that several papers which were promised had not been prepared, or had not been presented. On returning to my office I received a letter from the stenographer of Frank D. Brown, of Philipsburg, the absence of whose paper caused us considerable disappointment, to the effect that he is in the Eastern part of Montana; that he had prepared the paper, and the stenographer supposed it had been forwarded to us, but that it must have been overlooked in some way, and was locked up with Mr. Brown's papers, if it had not been sent by mail.

I am very pleased to say, however, that our worthy Vice-President, Mr. Driffield, whom I hope to have the pleasure of congratulating later on—and this is not politics, either—has consented at the last moment to read a very short and impromptu paper for our entertainment this afternoon.

Mr. Driffield—Mr. President and gentlemen: The failure of the receipt of Mr. Brown's paper has caused you all disappointment. I am afraid that the paper that I am about to read will also cause you disappointment, as I must say it has been drawn up at the very last moment, with but slight notice, and is merely a stop-gap. (Reading:)

## ORGANIZATION UPON BROADER LINES.

While insurance companies have, for many years, recognized the value of organized and united effort in matters pertaining peculiarly to their own business—such as the maintenance of adequate rates, the enforcement of beneficial rules, the regulation of compensation to agents and brokers, and in the establishment of various bureaus, by means of which a more accurate knowledge of the risk is obtained—yet it seems to me that there is actual need of a further combined organization of the companies on a broader basis, and affecting our interests in a general, rather than in a direct manner.

The business of insurance is so closely interwoven with the entire system of commerce, it is so necessary a factor in the question of finance, and so material an element in the realm of social economy, that it is impossible it should not be affected by very many causes outside of its strictly own domain, but producing effects which are none the less felt on that account. I think it may be accepted as a fact that "insurance men" as a class, are peculiarly wrapped up in their own business, and while, no doubt, many of them have hobbies and fads in which they indulge in their spare moments, yet it is rarely that in business matters they show much interest in anything that does not pertain to their own profession. My purpose in presenting you with these shortly expressed views is to endeavor to stimulate an interest among the members of our fraternity in those affairs in general having a relation to the interests we represent.

When we regard the immensity of the financial interests represented by insurance corporations—second only in the United States, I believe, to those represented by the railroad companies—it must be apparent that a strange and unwarranted apathy is displayed by us in the conservation of those interests by a more active participation in the affairs of State.

A good and efficient government—federal, State and municipal—the enactment of wise and beneficial laws and regulations—and the election and appointment of competent and honest officials, are matters in which we, by reason of the vast interests committed to our care, are profoundly concerned. Yet do we hear of any *organized* efforts on our part to bring about the desired results? In our individual capacity we presumably exercise the best judgment we possess towards the accomplishment of the sought-for ends, but our efforts are to a large extent valueless by reason of their want of unity.

As a body, we possess no power in political matters, we command but little attention or respect from the public, neither do we inspire with fear those who make it their business to, in their several ways, prey upon corporate interests.

It is true, that, occasionally in legislative years, we combine together and appoint a committee to use legitimate efforts to protect our interests from pernicious legislation, but such efforts are tentative only, and cease upon the attainment of their immediate object. Instead of waiting to fight inimical measures in the legislature, would it not be wiser for us to exert our united influence and power in the elections, and see to it that no professed antagonist is placed in a position to, later, do us harm?

The influence (not always beneficial, it is true) of the railroad companies upon the politics of the country is acknowledged by all, and it is an accepted fact that by systematic effort and shrewd manipulation they have succeeded in attaining a power not far removed from that of dictatorship. Nothing of this autocratic nature is anticipated by the exercise of our combined efforts as suggested herein, but surely it should be within our province to endeavor to so use our influence as to preclude the possibility of the retention and growth of demagoguery, ignorance, and knavery in matters politic. As a class we are much concerned in municipal matters. An intelligent and fair-minded Mayor, and a body of capable and honest Super-

visors, will lead of necessity to the enactment of wise and prudent civic measures, and to the appointment of desirable city officials. Much needed reforms in our building ordinances and the strict enforcement thereof; increased water facilities in the rapidly growing outside districts; the establishment of a fully-paid fire department, and the appointment of a suitable Board of Fire Commissioners to intelligently supervise the composition and equipment thereof; the enactment and enforcement of regulations regarding the storage of explosives, etc.; the creation of the office of Fire Coroner—these and scores of other equally valuable objects might be secured, if we wielded the power we would possess were we only properly organized.

How often has it been our experience that we were unable to obtain just and rational rulings and decisions from our judiciary? Should we make a combined effort to place upon our court benches only such men as we knew to be capable and impartial, might we not in time dispel the fear which now exists with us when considering the advisability of contesting a dishonest or illegal claim?

It is not necessary for me to further enumerate the instances in which an organized effort on our part, upon the line suggested, should bear most beneficial results. Needless to say they are many, and it is my opinion that were we to display the same interest and concern in the election and appointment of public officials, as we do when by their acts our interests are jeopardized, we should find it greatly to our advantage.

The recent meeting of the Board of Freeholders for the purpose of preparing a new charter, presented an opportunity which we might have embraced to express our views upon municipal matters, but no united action appears to have been taken by us, and the provision contained therein for the creation of a fully-paid fire department was not the result of any especial effort of ours.

Our main opportunity is, of course, presented in the primaries, in the conventions, and at the polls, and those of us who are not privileged to exercise the electoral franchise, can, by our individual exertions among our friends and employees, to a large extent, contribute to the general good, in spite of the fact that we cannot by our votes accentuate our wishes.

It is not only in politics that an organized effort on our part would prove of great benefit to us. An active participation as a body in other public affairs affecting our interests, would also lead to good results. We, as underwriters, are as much interested in the building up of San Francisco and the entire Pacific Coast, as any other section of the community, and such enterprises as the Nicaragua canal, the San Joaquin Valley railroad, the establishment of irrigation, and reclamation districts, the formation of colonization schemes, etc., should meet with our hearty support and approval. The opportunity to participate in the deliberations of organizations formed for the purpose of developing our industries, and for the purpose of securing good government, should be embraced by us, and in a general way we should endeavor to make our influence as a body felt in proportion to the importance of the interests we represent.

These ideas have been hastily strung together, and nothing but a bare outline of the possibilities to be obtained by organized effort, has been presented. I think, however, the subject is worthy of consideration, and feel that we have never yet, to any extent, wielded the power, that, as a combined body, we have the right to exercise.

Respectfully submitted,

V. CARUS DRIFFIELD.

(Applause.)

The President—I am sure Mr. Driffield has given us a very suggestive paper, and if it bears its proper fruit we will all turn statesmen and politicians.

We would be glad to hear any remarks the gentlemen may have to make on the subject of this paper.

The next business in order, gentlemen, will be the report of the committee on the re-insurance clause.

Mr. Osborn—In the absence of Mr. Tyson, the chairman. I will read the report. (Reading:)

*To the President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN: During the past year controversy having arisen as to the liability under and construction of the usual re-insurance clause, a committee of this Association was appointed to consider the matter, and present at a subsequent meeting a form to be submitted to the Board of Underwriters. Your committee met, drafted the form hereinafter mentioned, and submitted the same, with a letter inviting criticism, to the various managers here. Few responses were received, and this undoubtedly owing to the fact that their attention was more fully occupied in union matters. More engrossing subjects disturbing the profession have precluded your committee from being in a position to present a report such as they would wish at this meeting. Suffice to say, however, that the following was drafted by us, and while defective, was presented more in order to elicit criticism than otherwise:

#### FORM.

This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments and payments, as are, or may be taken, or made by the re-insured company, and the liability of this company is hereby limited to . . . . . (5-10) of the amount paid by the re-insured company.

It is understood and agreed, that, in no event shall this company be liable for more than the amount mentioned in this policy.

One response suggests the following change to the above form. Insert the word "expenses" succeeding the word "adjustments," and the words,



"under this policy" succeeding "re-insured company," on the third line from the last.

Another suggestion is as follows: Change the first three lines, making it read, "this policy is subject to the same risks, valuations, conditions, adjustments and payments as taken, and, or made by the re-insured company, also to the same transfers and endorsements which may hereafter be made, provided, due notice be given this company, and the liability, etc." The writer of this letter further adds, "You see under your proposed clause the re-insured company can transfer its liability to some place or to some risk which the re-insured company would be debarred from writing, and is not called upon to give the re-insuring company any notice. By making the change suggested it becomes encumbent upon the re-insured company to notify its re-insurance of all such changes, and the re-insuring companies have the option of cancelling their liability."

There were other suggestions of a minor character which we omit and would suggest that at this meeting some discussion take place so as to give the committee ideas that it is not already possessed of, and then if the subject be referred to this committee, we promise, at a very early date, to formulate a clause that will meet the requirements of this vexed question.

Very respectfully submitted,

GEO. H. TYSON,  
W. H. LOWDEN,  
T. E. POPE,  
R. W. OSBORN.

The President—You have heard the report of this committee; what is your pleasure?

Mr. Folger—I would move that the report be accepted and printed in the proceedings.

The President—It is moved and seconded that the report of this committee be accepted and printed in our proceedings. Are there any remarks?

Mr. Osborn—As one of this committee I would like to say that we practically met only once. The second meeting was without result, because there were not enough members present. The first form was submitted to the managers with a request that they return it with their comments, if any. Very few replies were received, and those that reached us showed conclusively that the form was more or less defective. The object of the committee in presenting this report is simply to get ideas, if possible, and then we will take the matter up at a subsequent meeting, if it be re-referred to us. But if

the matter is simply placed on the minutes as per this motion—there is no provision made for re-referring it—the matter will simply drop.

Mr. Folger—The object of the motion was simply to dispose of the report. If there is no objection, I will offer the suggestion that the Secretary be instructed to print in circular form, the form of re-insurance clause proposed by this committee, and a copy thereof be sent to each member of this Association with a request for his views. I take it from the report of the committee, Mr. President, that the form of re-insurance clause was sent only to managers, and while it is undoubtedly true that they are far better prepared to pass upon the form than most of the members of this Association, who are not managers, it is true that they have less time, and experience in the past has shown that this Association is composed of men who will give replies. And I would move that the committee be continued.

The President—The first motion made by Mr. Folger has not yet been put. It was that the report of the committee be received and printed in the proceedings. Are you ready for the question? All favoring it will signify the same by saying aye. Contrary, no. (Several noes.)

The President—The ayes seem to have it. The ayes have it.

Now we have Mr. Folger's second motion. It is moved and seconded that a copy of this report be furnished to the members of the Association, and that they be invited to criticise it and report back to the committee, and that the report itself be referred to them for further action.

Now, without desiring in the least to influence you in your action, it seems to me that a large number of our members—how many members have we?

The Secretary—One hundred and ninety-seven.

The President—That out of the 197 members perhaps less than half of them are really interested in the subject-matter of this clause, because it is a matter simply between companies, and it arose here from the fact that it was a manager who first brought the question up. It is a very important subject, because the re-insurance contracts between companies are very loosely drawn, and losses are settled

mostly on good faith, or common good practice—a desire to pay their re-insurance where the principal suffers a loss.

I would say that some little expense might be saved to the Association in having this report printed in the proceedings. Then members having any objections to make could send them to the committee. However, the motion is before you as made by Mr. Folger.

Mr. Folger—I did not realize fully the force of what you say, that this is a matter for managers purely and simply, but I would adopt the suggestion made by Mr. Driffield, that I withdraw the motion, and substitute this: That the re-insurance clause itself be made the subject of discussion at the next quarterly meeting of the Association.

The President—With the consent of the second, Mr. Folger has withdrawn his former motion and now makes this motion: That this clause be made the subject of discussion at the next quarterly meeting of the Association. Is there a second? (Motion duly seconded.)

It is moved and seconded that this clause be made the subject of discussion at the next quarterly meeting. Are there any remarks?

Mr. Kinne—It seems to me that if a motion of this kind prevails, it would be entirely trivial, in the way of getting at any result. At the next quarterly meeting there will be seven or eight members present, and they will discuss it. They will simply talk about it, and do nothing. We have got a meeting here to-day for the very purpose of discussing these matters of importance, as outlined by the committee. There is a difference of opinion as to how the re-insurance clause should be worded, particularly in the manner of the endorsement following from the re-insured company to the insuring company. That is the main point in the contention, and now to postpone action and discussion when we are here for that purpose, as well as to listen to the papers, it seems to me is entirely out of the order of things for which this annual meeting is called. We do not come here simply to listen to the papers and have a dinner at the close of our meeting, but to discuss matters that come up. This report is brought up in that shape that it may invite discussion, and if this motion prevails to refer it to a meeting where there will be seven or eight, or perhaps a dozen—that is our average attendance

at the quarterly meetings, as you all know—that then we shall be simply putting the thing off, and we may as well drop the whole subject entirely, and not bother our heads about it. I am decidedly opposed to referring it to the quarterly meeting, where but a few of us will talk about it.

Mr. Driffield—I agree with what Colonel Kinne has said in regard to this question. The suggestion I made to Mr. Folger was simply a whispered one, and one I thought he would incorporate with his previous motion. That is, to have replies made, and those replies to be submitted to the quarterly meeting. I think with Colonel Kinne, that we are here for the purpose of discussion. I do not think that we have had enough of it at this meeting. It is very well for those who care to take part in the discussion to continue it as far as we can, but we cannot come to any final conclusion. We want to get a concensus of opinion larger and broader than we can obtain at this meeting, and this will be accomplished by all the correspondence that may be received by the Secretary, and I think that while we might discuss it now we should make it a special order for business at the next quarterly meeting of the Association as well.

Mr. Lowden—I entirely agree with Colonel Kinne on that proposition. As a member of the committee, I would like to have it discussed at this meeting, and I would move as a substitute for Mr. Folger's motion, that we now proceed to the discussion of this re-insurance clause.

Mr. Folger—I accept the substitute, and withdraw the other.

The President—Mr. Folger's motion is withdrawn, and the matter is now before you for discussion.

Mr. Gunnison—Mr. President. I take the floor not to argue the question pro or con, but rather to explain why I voted "no" on the resolution passed previous to the last resolution. The reason of that is simply this: That while I was willing to receive the report and place it on file, I do not think it ought to be printed in the minutes, because it is not conclusive; there is nothing in it that any one would desire to read, or care to read, except that the committee's action places it before us so that we could discuss it, and to go and print



that in our proceedings, I think, would be useless. There is nothing conclusive in it at all. We come to no conclusion in the matter, as to what clause should or should not be put in. They simply gave these remarks for our consideration.

The President—If you will pardon me, Mr. Gunnison, that motion has been disposed of, and the matter now before us is the report itself.

Mr. Gunnison—I know. I simply say this in explanation of my vote.

The President—There is an advantage, I will say, in publishing it in the minutes, however. This clause which becomes part of the contracts, cannot be passed upon hurriedly, and the publication of this report in the minutes will enable us to take the form recommended by the committee, and such suggestions as may be made here, and out of this perhaps something will come which may be put into effect. I was quite interested in the report of the committee, and I think that one suggestion which I made to the committee, perhaps, is embodied in the latter part of this report. Mr. Faymonville talked with me on the subject several times, and we concluded that what we ought to do was to get a clause which would be acceptable to a few, and then, on the plan on which the new Board of Fire Underwriters was organized, invite a few more, and get them to agree to it, and then invite a few more; thus, getting such changes as all could agree on, until we should have a re-insurance clause that some twenty or thirty of the offices would require on every policy received or sent out, and then that would naturally influence all the business, practically, in the city. That was the plan we had thought of adopting, and it was believed to be a good one.

Mr. Kinne—In regard to the difference between the two clauses, as reported by the committee, it certainly is evident without much discussion that there is simply one underlying principle in regard to the difference. One says that you shall follow all the undertakings of the re-insured company, not so much as pertains to the adjustment and payment of the loss, because nobody has ever had any particular kick about that, but also in the way of all endorsements.

This came to our attention some two or three years ago; and the second clause reported by the committee, I think, is word for word one that I suggested, and for which I had rubber stamps printed. It seems to me that it is right and proper that every re-insured company, if they make an endorsement upon their policy, and their contract is changed, they should notify the re-insuring company, so they may know whether they can continue to carry the line, if transferred into a place where they have got a full line themselves, or into a risk where they cannot carry at all, because it may have been upon their prohibited list. That has worked very well for two or three months. Finally one of the prominent insurance managers in this city, who represents large interests, and did not care to be hampered with the idea of seeing that his clerks should perform their duty properly, said that he would not re-insure in the Liverpool and London and Globe, if we had that clause upon the policy. Why? Simply because if one of my clerks should happen to forget to notify you I do not want to be out my re-insurance. Then, said I, suppose it was direct insurance and the clerk of the insured should happen to make a mistake and not transfer a policy, why of course then the assured ought to get his money just the same after the company knew about it following a fire. Well, he did not exactly think that would be an analagous case, but that there ought to be the same relations between the insurance companies as there would be between the assured and the direct insurance without any notification of endorsements. I could not see it; I do not see it yet. I think this Association to-day, after further discussion of the matter, can recommend a clause that shall say that the company that is re-insured, if any endorsement is made relating to the condition of the risk, or its transfer to another locality, that that company should certainly notify the reinsuring company, in order that they may know whether they have got an overline, or, possibly, placing it at a point where they do not care to write at all. It seems to me so entirely proper that I cannot see now, and could not then, why the manager of any company should not be willing to acquiesce in a clause of that kind. Certainly we would. As a practical insurance proposition, I contend that if there is any change made in the contract, the re-insured

should notify the company reinsuring them just the same as Peter Smith, or John Brown would the company that insured them direct. That is my opinion in the matter, and I hope we will hear from others on the subject.

Mr. Gunnison—If they failed to notify them would it not work a cancellation of the re-insurance policy?

Mr. Kinne—Certainly. If they fail to transfer the risk, the risk is not transferred. That would be putting them on the same level as the ordinary insurer.

Mr. Osborn—We canvassed that subject, and the question was raised in the committee as to whether the companies would consent to that or not. If their re-insurance contracts were subject to the very point that Colonel Kinne marked out—the error of the clerk—it would be a detriment to them, and they would not be willing to re-insure their risks with a company demanding that clause. But the Colonel has set forth the reasons why that is reasonable. Now there could be a qualification made limiting the time, say to ten days. That would give the endorsement clerk an opportunity to make his endorsement and report it to the re-insuring company, and while this report does not incorporate that, it might have been, but was overlooked.

Mr. Lowden—Perhaps an explanation of the circumstances that led to the appointment of this committee for the benefit of the members who are not familiar with them, might be in order. This was the case, and the committee was appointed for the express purpose of avoiding the difficulty that a company recently encountered. The original policy was issued, we will say, for \$10,000, the re-insuring company accepting 5,000, and during the life of the policy the re-insured company cancelled \$3,500 of its \$10,000 policy. Before an endorsement reached the office of the re-insuring company a fire occurred causing a total loss. The re-insured company claimed from the re-insuring company \$5,000, and after submitting the matter to Mr. Van Ness, that gentleman held that the re-insured company had a claim on the re-insuring company for the full \$5,000. Now, the object of the committee was to make an endorsement that would

obviate that difficulty. Suppose that, instead of cancelling \$3,500 of the \$10,000, the original company had cancelled \$5,000, then, when a loss came along the re-insuring company had the whole of the loss to pay, and this was not contemplated when the contract was entered into. This is why the committee recommended a change in the form of the re-insurance clause, viz: This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments and payments as are or may be taken by the re-insured company. And the liability—here is the point—the liability of this company is hereby limited to, say five-tenths (or the liability you assume at first. It is still limited to that) of the amount paid by the re-insured company. So that in case a part of the original policy is cancelled the company that re-insured cannot throw upon you more than the original proportion accepted by you. That was the object we had in view when we took the matter in hand. The other matters requiring notice of endorsement to reach the office of the re-insuring company, I think very good, but there ought to be a limit to the time. The principal object was to avoid the difficulty that this manager found himself in who paid more than his pro rata proportion.

Mr. Osborn—There was another point that I presume Mr. Lowden has forgotten. It slipped my mind, and that is the objection raised against re-insurance on policies "issued or to be issued." Of course, the managers frequently raise objections to this form, as being specifically limited. The way the contract was made on that class of policy they could make a change, but this clause would do in ordinary contracts where there was specific insurance in the first place.

The President—Are there any more remarks on this subject, gentlemen?

Mr. Driffield—I think that the conclusions arrived at by the committee are good. I think that it is very wise that the liability of the company re-insuring should be limited to the proportionate part that the re-insured company originally accepted. But apart from this question of endorsement and transfer, I think other questions should enter into the discussion. I have in mind a loss which occurred not a great while ago, in Los Alamos, a hotel loss in which I think you,



sir, were yourself personally interested. The Trans-Atlantic was a re-insurer of the German-American, and I am sorry to say that after a contest we have had to pay the face of our policy, and about 75 or 80 per cent. in addition on account of legal expenses in connection therewith. According to the clause that is suggested by the committee, a re-insuring company would be bound to pay pro rata of all the expenses incurred in the resistance of losses by the original company, even though it was willing to pay the full face of its policy, which is the full amount of liability assumed when taking the risk. Now it seems to me that that question should be also considered, because there may be occasions upon which we would prefer to pay the full face of our policy than take chances in litigation. And I think expenses on adjustments might be eliminated. Regarding endorsements, I fully agree with the report of the committee. I think the amount of liability should be made proportionate to the liability of the original policy. That is preferable to having it based upon the amount of the re-insured's policy when the re-insured's policy might be subsequently decreased.

The President—Any other remarks on the subject?

Mr. Argall—There is one point which occurs to me and which I think must have been brought up for discussion before this—namely, the patent unsuitability of the ordinary policy contract for re-insurance arrangements, as between companies. That is to say, we adopt and use a policy blank—the New York standard, or whatever it is—which contains a number of carefully worded clauses and provisions, and then we go to work and sweep away the whole effect of them by one little rubber stamp not more than five lines in length. It might be well that, with a re-reference of this matter to the committee, some instructions should be coupled as to the preparation of a special re-insurance contract, which would cover the essential points more fully. And in this connection I would say that, so far my knowledge goes, the insurance companies of America are literally the only companies in the world which use the same form of policy for re-insurance as they do for direct transactions.

Mr. Folger—I think, Mr. President, we have got to deal with matters as we find them. There is no doubt that the American

forms are all simple, if you judge of them simply by their length. While serving on the library committee and accumulating reports of associations in Australia and England, I noticed, If I recollect rightly, contracts or long clauses, one or both, in connection with "guarantee business," which I think is the English term for re-insurance. The committee has endeavored to include in our own library those clauses or contracts; but I doubt very much, Mr. President, whether they would be acceptable to the men in our business. The demand in the American business is brevity. It is not always as complete, or as satisfactory, or as valuable in the end, but there is no doubt that in all our unions there is a demand for brevity.

Mr. Argall—The guarantee agreement, which I have particularly in mind, if I recollect rightly, has about nine ordinary lines of printing.

Mr. Folger—I think, when I saw it, it had fourteen.

Mr. Kinne—I think we ought to secure a better condition of affairs, if there is anything wrong about it, by a gradual process, for we cannot regulate the whole matter at once. A condition worded properly, as an added one to the contract between the insured and the company, so as to make the same applicable to the re-insuring company, can be arrived at so that it can embody in itself something that will do away with the defects that we have stumbled up against in our practical experience in the last few years. And it seems to me that to ask for ideas from our one hundred and seventy odd members, and then have them sent in, without this matter of discussing, as we have right here, which I think is the proper way to handle anything, is utter foolishness. It is only putting the thing further along, and we will accomplish nothing. I believe that this matter should be referred to the committee, with instructions to embody in a clause, properly prepared, *first*, the idea that the re-insuring company shall only pay a loss pro rata, in proportion to the amounts as at first assumed—when the first contract was made—and, *second*, that notification of all endorsements should be made to the re-insuring company, within a reasonable time, although you do not have to do that if you are insured direct. If a man removed his furniture to-day to another location and did not notify you, and it

burns to-morrow, he has no contract with you. But of course, the re-insuring company, often times, don't know of the transfer until it reaches the office: therefore, a re-insuring company will have to take naturally more chances than they would with the party direct. Let the matter be referred to the committee with the suggestions as outlined by the several remarks made here, providing pro rata payments and notification of all endorsements within a limited time, and I think it is just exactly what we all see the necessity for, and would ask the managers to adopt. I move that such action be taken.

The President—You have heard the motion, which has been seconded, that the clause which we have been discussing be referred back to the committee, that they be instructed to prepare a form which shall embody the suggestions that have been developed during the discussion: and that it be presented to the members, to the managers I presume, for adoption?

Mr. Kinne—Requesting their adoption.

Mr. Gunnison—Is that a substitute for the former motion?

The President—The other motion was withdrawn.

I might make this one suggestion. That but very few of the managers have instructions from their head office not to issue any policy unless there is a clause, providing that the re-insured company shall carry an amount equal to the line carried by the re-insuring company.

Mr. Kinne—That is on all fours with this very idea, as it limits the liability under a reduced policy in the same proportion as first assumed.

The President—That is impracticable: that would have to be a subsequent clause, because a good many companies do not care how much the re-insured company retains. If they like the risk they will take their line, whether the re-insured carries a like line or not.

Mr. Lowden—I was going to say, Mr. President, that was considered by the committee. We will say that company A has two policies of \$5,000 each on a risk, and wishing to carry \$6,000, re-insures \$4,000 in company B, and one of the \$5,000 policies runs out

and is not renewed, then company A has \$1,000 and company B has \$4,000. What are you going to do?

A Voice—Cancel.

Mr. Lowden—If a fire occurs pending renewal, the re-insuring company has to pay \$4,000 to the other company's one thousand.

The President—These questions come up all the time in the matter of re-insurance. As I understand, the clause suggested by the committee as amended will answer every purpose except that one—where companies require the re-insured company to carry an equal line with them—and that can be overcome by another clause, if necessary.

Mr. Kinne's motion was then put and carried, unanimously.

Mr. Smalley—I would like to introduce to this Association Mr. R. F. Stuart of Seattle, who has just come in.

(The members rising.)

The President—We will now have a report of the committee on mortgage clause. Mr. Lowden.

Mr. Lowden—There is no report, sir. Coming in here, perhaps I might read the report of the committee on President's address, which refers to the mortgage clause.

The President—That will come under special committees. I will say that I took this method of getting revenge on my friend, Mr. Lowden. He was chairman of that committee, and I have been after him for a report. He called on me the other day and said it would be impossible for him to make the report on account of his heavy work in connection with the organization of the new board of underwriters. I told him that he should be put on the programme for punishment; and by so doing came very near keeping him away from the meeting. The next in order, will be the report of the committee on memorial of F. H. Swett.

Mr. Driffield—Mr. Butler, who is the chairman of that committee, asked me, in his absence, to read the report of the committee appointed to draft resolutions.

(Reads:)



The committee appointed to draft resolutions in memory of the late Frank H. Swett, beg leave to report as follows :

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WHEREAS, The ranks of this Association have been broken by the loss of Mr. FRANK H. SWETT, who expired on the 6th day of November, 1894, after a prolonged course of suffering caused by an accidental gunshot wound ;

*Resolved*, That the Fire Underwriters' Association of the Pacific feel it incumbent upon them to pay a brief and hearty tribute to the many excellent qualities and attainments of our late associate.

During a career extending over thirty years, whether as patriot soldier, fighting for the preservation of the unity of his beloved country, or as a man of business, and particularly special agent and fire adjuster for many years on the Pacific Coast, his zeal and devotion to duty were always conspicuous traits, and those with whom he mingled most cannot but feel the greatest regret that in the maturity of his years and in the enjoyment of all that life holds dear he should be thus so suddenly taken away from our midst.

*Resolved*, That the heartfelt sympathy of this Association be tendered to the bereaved family of our late friend.

*Resolved*, That this resolution be ordered spread upon the minutes, and that the Secretary be instructed to send a copy of the same to the family.

GEO. E. BUTLER.

V. CARUS DRIFFIELD.

R. W. OSBORN.

San Francisco, February 18, 1895.

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The President—All who will adopt that report, will do so by rising. (The members all rising.) It is adopted. We will now have the report of the committee on President's address.

Mr. Lowden—(Reading :)

SAN FRANCISCO, February 20, 1895.

*To the President and Members of the Fire Underwriters' Association of the Pacific :*

GENTLEMEN :—

We have considered the various suggestions and recommendations contained in the admirable address delivered by our President, and beg leave to report thereon as follows :

There are a number of topics presented in the address, such as fire waste, lines, exposures, the relative hazards of buildings and stocks, the maximum

rate, fire coroners, tariff associations, etc., any one of which is worthy of careful treatment, but which cannot conveniently be passed upon in the report of a committee. We recommend that the President-elect refer these topics to members conversant with them for treatment in special papers at the next or succeeding meetings.

We recommend that the new library committee be authorized to expend up to \$150 during the coming year, provided that a report of purchases and expenses be submitted to the Executive Committee of each \$50 incurred before obligating the association further.

As only one year's time has elapsed since the change from monthly to quarterly meetings and from elections by regular meetings to approval by an election committee, we are of the opinion that it is inexpedient to alter the present methods until they have been given further trial.

In view of the success which attended the reception to the Fire Underwriters' Clerks' Association, several months ago, we recommend that such a reception be made an annual feature of our work, the date to be fixed by the Executive Committee, about midway between annual meetings.

#### MORTGAGE CLAUSE.

Reference to this subject was made in the address of President Ives at the last annual meeting, and at the suggestion of a committee appointed to consider the various recommendations contained in that address, an additional committee on Mortgage Clauses was appointed to make a report at this meeting.

We regret to learn that the committee has been unable to offer a solution of the problem, or to make a recommendation of any sort; but this is hardly surprising if we consider for a moment the difficulties surrounding the question.

In any consideration of the subject, it must be borne in mind that the mortgagee wants *absolute indemnity*, and, so long as competition is an influential factor in our business, he is bound to get it. Even if he does not obtain it willingly from the companies themselves, the courts seem to be disposed to give it to him by construing our most approved forms of the clause wholly in his favor. It would appear that the courts are influenced in their decisions by a desire to afford the greatest possible protection to the mortgagee. They evidently reason that the insurance company in attaching the mortgage clause to their policies have, for a consideration, entered into a contract by which they waive certain conditions (a violation of which would prevent recovery by the mortgagor) and they consider that the new contract should be construed with the utmost liberality.

This is evidenced by certain recent decisions, one of which makes our much valued contribution clause practically of no value. In the case of *Eddy vs. London Assurance Corporation*, N. Y. C. A. 38, N. E. R. 307, where a policy payable to the mortgagee, as his interest might appear, provided that the policy should not be invalidated as to him by any act of the owner. Held, that additional insurance procured by the owner, in which the mortgagee had no interest, did not affect the mortgagee's right to recover the full amount of the policy, though the policy also provided that the insurer

should not be liable for a greater proportion of any loss than the amount thereby insured should bear to the whole amount of the insurance on the property. Nor does such insurance by the mortgagor affect the policy as to the mortgagee, though the policy provided that the insurer was only to be liable in the proportion in which the sum it insured should bear to the whole amount of insurance on the property held by any parties having an insurable interest therein.

The clause in our standard form requiring the mortgagee to give notice of any change in ownership has also been rendered valueless by a decision of the Supreme Court of Nebraska in the case of the Omaha Loan & Trust Co. vs. Phenix Ins. Co., in which it was held "that the neglect of the trust company to notify the insurance company of the sale of the mortgaged property did not void the policy as to the trust company. The policy does not provide when the mortgagee shall give this notice, nor is there any provision in the policy or mortgagee clause to the effect that in case the mortgagee comes into possession of knowledge that the hazard of the risk has been increased or that the property has been conveyed, and neglects to notify the insurance company thereof, the policy shall therefore be void."

These, and other decisions which might be quoted, coupled with existing competition for business, render the outlook for an improvement in the form most discouraging. If what we have heretofore considered our most ironclad clause can be so easily punched full of holes, it would seem necessary for a stronger form to be drawn up, but what hope have we that it would be accepted, or that the companies would combine to require its use?

The suggestion of the President that a solution of this question should be found in the rate is considered by your committee a possible one, but at present would seem to be impracticable. We are more inclined to the opinion that the plan offered by the committee last year, if properly digested and formulated, is as much of a concession as we can obtain from the mortgage companies, having already sold to them our birthright for a mess of pottage.

We renew the recommendations made in previous years that it be considered the sense of this Association that a simple classification of fire premiums and losses should be undertaken by the Board of Fire Underwriters of the Pacific. We suggest that this can best be done by using the eight general classes prescribed by the Committee on Statistics of the National Board of Fire Underwriters for recording premiums in an examiner's department, and leaving the members of the Board to report losses, either under the same eight classes or in the complete form suggested by the National Board in its latest report on the subject, giving 1,687 classes. However crude the scheme undertaken might be, it is inevitable that the results of such a classification by the Board would be of great value, even if the knowledge obtained were to be confined strictly to the Executive Committee of the Board for the use of surveyors, who fix our rates under their direction.

*Adjustments.*—We concur with the President in deprecating lump settlements of fire losses, but we think a middle course is the only safe one. There are times when a compromise is the best, if not the only way, out of

the difficulty, but whenever it be possible, losses should be settled strictly upon the basis of actual indemnity.

Respectfully submitted,

W. H. LOWDEN.

A. E. DUGAN.

L. B. EDWARDS.

The President—Gentlemen, you have heard the report of the committee; what is your pleasure concerning it?

Mr. Devlin—I move that the report be received and the committee discharged. In doing so, I would state in regard to the contribution clause in the mortgagee clause that as one swallow does not make a summer neither does one decision make a law. There are a great many decisions on the other side and many of the courts have repeatedly held under the mortgagee clause that a company is not liable under its policy for a greater proportion of any loss or damage sustained than the sum insured bears to the whole amount of insurance on the property destroyed, thereby carrying out fully the contribution clause, and which I think is sound law.

There are a great many decisions in any case that may be presented, as everyone knows who has given the subject study, and while the case cited, coming from high authority as it does, is worthy of consideration, yet there may be found in this case as in others, upon reading the full decision, there were circumstances peculiar to this case alone which caused the court to decide as it did. I am therefore still a strong believer in the contribution clause. I only hope that the companies may join together and agree upon some clause and insist upon it being placed upon all policies where the mortgagee clause is required.

Mr. Lowden—I would like to state that the decision was rendered by the New York Court of Appeals, which is generally considered a good authority in the United States.

The President—You have heard the motion, that the report be adopted. Are you ready for the question?

Mr. Folger—Mr. President, while the report of the committee does not carry that idea in so many words, it was the intention that the mortgage clause should be referred to this committee again during the next year; and, in fact, if it is in order, I move that the



question of the mortgage clause be referred back to the same committee, who will be continued, with instructions to report upon the clause at the next meeting.

The President—Are you ready for the question? All favoring the motion will signify it by saying aye. Contrary, no. Carried. There are several recommendations in the report of the Executive Committee. I would ask the Secretary, whether he understood they were adopted? The motion was that the report be received and placed on file.

Mr. Folger—As Chairman of the Executive Committee, my recollection is that the President himself suggested that the recommendations therein could be referred to the new Executive Committee, in view of the fact of there being no other committee to whom it could be referred.

Mr. Driffield—That is the fact, I think. Our previous practice has been to refer the report of the Executive Committee as well as that of the President to a committee to report during the coming year. Would it be necessary that another committee should pass upon the recommendations of the Executive Committee?

The President—The difference between the President's report and the report of the Executive Committee is that the President is alone in making his recommendations, while the Executive Committee is supposed to have had some conferences on the subject. I believe there are one or two points that ought to be considered now, if the Secretary has the report.

The Secretary—I haven't it here.

The President—There were one or two things I remember particularly in reference to expenses, which ought to be acted upon, unless you will authorize the incoming Executive Committee to take up this report, with power to act.

Mr. Osborn—I move, Mr. President, that the report of the Executive Committee be referred to the incoming Executive Committee with power to act.

The President—You have heard the motion, gentlemen. Are there any remarks on the subject? All favoring it will signify the same

by saying aye. Contrary, no. Carried. The next in order, gentlemen, is the election of officers. We await your pleasure. The first, the election of a President.

Mr. Lowden—Following out the time-honored custom, Mr. President, I should like to place in nomination for President of our Association, Mr. V. C. Driffield, our present Vice-President.

Several voices—Second the nomination.

Mr. Dick—I move that the nomination be closed.

The President—It is moved and seconded that the nomination be closed. Are you ready for the question? All favoring it will signify the same by saying aye. Contrary, no. Carried.

Mr. Dick—I move that the Secretary cast the vote of the Association.

The President—It is moved and seconded that the Secretary cast the vote of the Association for Mr. V. C. Driffield for President of the Association for the ensuing year. Are you ready for the question? All favoring it will signify the same by saying aye. Contrary, no. Carried.

The Secretary—Mr. Driffield is elected.

Mr. Driffield—I feel a little bit too flurried to make any remarks. All I can say is, that I very heartily thank you and I appreciate the honor you have conferred upon me.

The Secretary—The next in order, is Vice-President, I believe?

The President—Yes, sir. The election of Vice-President.

Mr. Osborn—I wish to make a nomination for Vice-President. There is pleasure in doing this, and in placing this name before the Association I know that it will meet with approval and a unanimous vote. The gentleman whose name will come before you is one well known to you. He has given us valued service in more ways than one. I have appreciated that during my term of office as Secretary, in which I have come in contact with his efficient work, and also to the extent to which he has given publicity and reputation to the Association abroad. As Secretary have received several letters manifesting this, and know that during his service as chairman of

the library committee, the Association was introduced in the foreign countries, and especially throughout our Eastern States. Passing that, to his services as a member, in contributing to the literature of the Association, it goes without saying. It is needless to take any further of your time. I wish to place in nomination for Vice-President of our Association, Mr. Herbert Folger of Portland. (Applause.)

The President—The nomination is seconded from several quarters. Are there any other nominations?

Mr. Osborn—I move that the nominations be closed.

The President—It is moved and seconded that the nominations be closed. All favoring this motion signify it by saying aye. Contrary, no. It is so ordered.

Mr. Geo. F. Grant—I move that the Secretary cast the ballot of the Association for Mr. Folger as Vice-President.

The President—All favoring the motion signify it by saying aye. Contrary, no.

The Secretary—Mr. Herbert Folger is elected Vice-President of the Association. (Laughter and applause.)

The President—The motion is carried.

Mr. Folger—As a bright member of this Association has said he has not heard of the Vice-President doing anything, therefore, during my term, I expect to have nothing but the honors, I can assure you, and I am certain the members appreciate it is no empty honor in my estimation, and it is a compliment which I am very glad indeed to have been paid.

The President—The next in order will be the nomination of a Secretary and Treasurer.

Mr. Geo. F. Grant—Mr. President, I take pleasure in nominating our present Secretary, Mr. R. W. Osborn, and I would also move that the present Secretary and Treasurer be authorized to draw a check for the usual amount for his services during the past year.

Mr. Osborn—Mr. President. To the latter part of the motion no exceptions whatever can be taken, and, thanks to Mr. Grant, for he

is always the thoughtful one on that line. But I wish to ask his permission to withdraw my name. Had it been known that he intended to make the nomination, we would have seen him. It is my wish not to again run for Secretary. I have served two terms, and have done the best I could. We all believe in distributing the honors, and for that reason, if Mr. Grant will permit, the name will be withdrawn.

Mr. Geo. F. Grant—Very good.

The President—As I understand it, the first part of Mr. Grant's motion only, is withdrawn.

It is moved and seconded that the Secretary be authorized to draw upon himself as treasurer for \$100, the usual compensation allowed the Secretary for his services. Are you ready for the question? All favoring the motion will signify the same by saying aye. Contrary, no. So ordered.

I will state, gentlemen, that this \$100 is the best earned money that any of us could ever possess. You all feel good at this annual meeting, but between times, such a feeling does not always prevail, and it takes a good deal of encouragement and kindness to get the annual dues from some of you. Our Secretary has been very faithful in that particular. We are now ready for nominations for Secretary and Treasurer.

Mr. Driffield—Mr. President, the name occurs to me of one who could fill this position in the interests of the Association, would be here on the ground, and whom I feel sure could bring to bear those persuasive and diplomatic powers that are sometimes necessary to hold the members together.

I think the gentleman I am about to name is one who can serve the Association in a very acceptable manner. And I take pleasure in placing in nomination for Secretary and Treasurer the name of Louis Weinmann, Assistant Secretary of the Fireman's Fund.

Mr. Folger—I move that the nominations be closed.

The President—You have heard the motion, that the nominations be closed. Are you ready for the question? All favoring it signify it by saying aye. Contrary, no. So ordered.



Mr. Lowden—I move that the Secretary cast the ballot.

The President—It is moved and seconded that the Secretary cast the ballot of the Association for Mr. Louis Weinmann. Are you ready for the question? All favoring the motion will signify it by saying aye. Contrary, no.

The Secretary—Mr. Weinmann is elected.

The President—The next will be the election of the Executive Committee.

Mr. Lowden—Mr. President, I would like to place in nomination, for chairman of that committee, a gentleman who has served us faithfully and well, Mr. Osborn.

Mr. Driffield—Mr. President, I take great pleasure in seconding that nomination, and I think that the members cannot give too much credit to Mr. Osborn for the manner in which he has performed his duties as Secretary during the terms that he has occupied that position. He will make a most efficient chairman of the Executive Committee.

The President—You have heard the nomination of Mr. Osborn as chairman of the Executive Committee.

Mr. Driffield—I would also propose the name of Mr. Frank J. Devlin, as a member of the Executive Committee.

Mr. Devlin—I think, Mr. President, that the position should be given to some other member. Some of the older members are more deserving of it. However, I bow to the inevitable.

Mr. Edwards—I hope the gentleman will not withdraw. It is the younger members of the Association that we wish to throw the burden upon, and I hope he will take the position.

Mr. Fogarty—I would propose as a third member of the Executive Committee, my esteemed friend, Mr. Edwards.

The President—You have all heard the nomination of Mr. Edwards. The three placed in nomination are Messrs. Osborn, Devlin and Edwards. Are there any other nominations?

Mr. Edwards—For the same reason that I urged Mr. Devlin to serve, I think I should be replaced by some younger member. I

would respectfully withdraw and decline to serve, and would nominate Mr. Fogarty for the office.

Mr. Butler—I second the motion. (Applause.)

Mr. Butler—I move that the nominations be closed.

The President—Are you ready for the question? It is moved and seconded that the nominations be closed. Are you ready for the question? All favoring it will signify it by saying aye. Contrary, no. Carried.

The President—Do I understand that Mr. Edwards declines?

Mr. Edwards—Yes, sir.

The President—I was about to say that Mr. Edwards looks as young as he did twelve years ago, when I became a member of the Association. (Laughter.)

Mr. Edwards—I move that the Secretary be instructed to cast the ballot for R. W. Osborn, J. T. Fogarty and Frank J. Devlin, for the Executive Committee.

The President—You have heard the motion. All in favor will signify it by saying aye. Contrary, no. Carried.

The Secretary—Casting the ballot for myself is rather embarrassing, but being commanded to do so, I always obey orders. They are elected.

The President—I think the library committee is appointed.

The Secretary—Yes, sir. The editor of the Knapsack is also appointed.

The President—I regret very much that we have thus far had no report from the library committee, but I have called for it, I think, at each session, and if there are no objections it may be referred to the Executive Committee, and if approved by them, published in the minutes. All who will approve of this course will signify it by saying aye. Contrary, no. It is so ordered. Is there any other business?

The Secretary—Yes, sir. The election of the committee of fifteen, and I would suggest that in the Secretary's report the recommendation was made that this committee, which is to be elected at

this time, should be chosen from those who reside in the city. Sometimes two months pass in the effort to secure a ballot, because a number of the gentlemen on that committee were out of town, and twelve votes are required.

The President—You have heard the suggestion of the Secretary, that the election committee be nominated, and that they be chosen from those who are constantly in attendance, in order that it may not be difficult to secure a vote on the names of applicants.

Mr. Folger—I would suggest that Mr. Osborn proceed first to name the gentlemen with whom there has been no failure.

The President—If there is no objection to this plan of procedure, it might be deferred until after the reading of the Knapsack, in order that Mr. Osborn be able to furnish a list of the members of the Association who will be in attendance. If there is no objection, that matter will be brought up a little later. Is there anything further in the way of business? If not, I am sure we will take great pleasure in hearing from Mr. Geo. F. Grant, editor of the Knapsack.

(Applause.)

Mr. Grant—Mr. President and gentlemen. The Knapsack this year is like the baby of the bad girl. There is not much to it, and it cannot do much harm.

(Reading:)

(Followed by prolonged applause.)

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## CALIFORNIA KNAPSACK.

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FEBRUARY 19, 1895.

NO. 1.

You might as well ask me to fly as to request something funny for the Knapsack this year, if that something requires time. I need hardly dwell on the reason why.

This is a serious period, this fall of '94 and spring of '95. After many years of mutual understanding we were all at once happily engaged in the most formal manner in general and specific misunderstanding; whispers became commands; and rumors grew strong as word of the holy writ. I say *happily* engaged, for to judge by the cheery tone and smiling faces, special agents found the prospect of a fight more than pleasing, and if they did not

reflect the manager and his opinion it is too bad. The Fire Underwriters' Association of the Pacific was on trial, and if it had failed, saltpetre would not have saved the business, but the seeds sown twenty years ago come October were deeply rooted, and the boys at Virginia City in 1875 are now grave and reserved men; the spirit of harmony and good will, of mutual advantage by associated effort asserted itself in the hour of need and by the very boys who learned to know and trust each other during that cold thirty days of adjustment so long ago, they were able to meet and formulate a new plan, to bury the hatchet and smoke the pipe of peace. It was a great feat well performed, and I congratulate you, each one, on the result. I am not the keeper of my neighbor's conscience, nor is it for me to cast stones at any man; but by the power vested in me as editor of the Knapsack I say unto you, if you are by word or deed, by indirection or mental reservation, retarding the progress of a successful and profitable insurance business on this Coast, you do that which, enriching nobody, makes you a marked and shining target for boys now growing up in this Association to fire at; it is like tearing down with no intention of replacing or putting the gloss of right on that which is in reality wrong; it is sowing seed which in another twenty years may bring ruin.

Perhaps the first business advice to have weight in the mind of the youth was expressed in the familiar line: "Go to the ant, thou sluggard, consider her ways and be wise." Having been liberally endowed by nature with those traits and attributes, which tend to enlist sympathy with the sluggard, I accepted the admonition as personal, and turned my attention to the ant. The first specimen was found in the sugar barrel and she was particularly repulsive, being black and ugly and divided in the middle by a hair line having a pudgy ball on either side: I slew her. Reposing at a later date under an oaken tree in a green meadow, watching milk white clouds float over a light blue sky, I again found the ant, and she was numerous; when found she was within my trouser's leg; I considered her seriously and changed not only my position but the trousers. This was instinct. Thus far I had not that wisdom for which I yearned. It was many years later, in the town of Merced, before the full force of the proverb was demonstrated. In the capacity of special agent, I visited the San Joaquin district and came upon the ant at Merced. She was of the small red variety, agile and strong. In great numbers she was engaged in removing a pile of sand from one side of the walk to the other, and during my stay at Merced, with unremitting zeal, she struggled over the path with a load and trotted back empty-handed for more. Meantime, with varied step and gait, the villagers passed to and fro, representing all ages, sexes and conditions of man, and the point which arrested my attention and caused me to consider the ant was that of destruction. It was the fate of some to die beneath the tread of the passing people, but the survivors kept at their business with no apparent cessation or delay, and the advice seemed plain enough: "Go to the ant, thou sluggard, consider her ways," and be wise enough to go to work. Enter the vineyard in the morning and toil until night; bear the burden and heat of the day with fortitude; be thankful that the brain and muscle, which a kind providence has given you, can be



put to good and everlasting use; consider the ant and her ways; keep right on in your work; take little or no time for meals; never waste the precious moment by talk with your neighbors, for is not the working ant a neuter, without sex, no family ties, no mating season; consider her ways and be wise; let your motto be *business* first, last, and all the time. The male ant has wings and takes a "nuptial flight," accompanied by the female ant, also on wings, and after this short and happy example to the unemployed the male ant dies and the female ant founds a new colony of ants, a large percentage being neuters or workers. If the male sluggard considers the ant at the nuptial flight season it is quite likely he will think it wise to join forces with a congenial female sluggard. But at Merced I considered another matter—it was the average of chance in the destruction of the ant stepped upon by the passing throng. It was not only possible but probable that many of these ants worked all day on the path and escaped scot-free; some were maimed, but still worked on, and the lesson I took was this: No matter what threatens, attend to your own affairs; let the dread and doubt and fear, the apprehension and the borrowed trouble die in one grave. Give fair attention and honest measure to your employer, but also attend to the wants of body and mind, that health and temperance may follow you to a happy home. You will feel the iron heel which stamps you out of existence all in due time, and perhaps it would be fair to twist the advice to read: Go to the ant, thou sluggard, consider her ways and be otherwise.

GEO. F. GRANT, EDITOR.

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#### PHYSICAL HAZARD.

A well-known broker in a city not far distant, and whom we will call Long, for short, called upon a certain manager, who is known for his suavity of manner, and offered a line of insurance upon a "glucose factory," which risk was on the "prohibited list" of the aforesaid manager. The manager declined the risk, but the broker persisted, and said: "You know there is no 'moral hazard' in connection with this risk"—naming the gentleman connected with it. The manager said: "We are aware of that and our objection goes to the 'physical hazard.'" The broker replied: "I fear you are mistaken; have you ever inspected the property?" "No," said the manager, "but such risks are physically poor." "You are mistaken in this," said the broker, "for I have made a personal inspection of it, and you ought to see the great, big, strong men working there; their arms were bare and their muscles stood out like whip-cords, and their broad chests and powerful limbs were superb. I never saw men better made physically. I am certain you would change your opinion about the 'physical hazard' if you could see these men." The manager smiled, but had strength enough left to decline the risk.

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#### NOT FIRE HOSE.

A young and bashful special was called upon to adjust a loss on "female wearing apparel" belonging to a plump and pleasing young widow, as fair as a June apple, and whose well-turned foot reminded you of Trilby's. After taking down a list of opera cloaks, silk and satin dresses, dresses cut

square on the bias and gored up the back, dresses high from the ground and low from the ceiling, he came at last to that which even the most hardened of our special agents return in their proof as "underwear;" but this poor, timid, bashful special (a *rara avis* to be sure) was aware of the necessity of having a complete list of everything, and so "corsets" and "chemises" were put down, and his voice weakened, for the lady looked daggers as he said: "Now, madam, I am nearly through; how many pairs of silk stockings did you say were damaged?" "Seven pairs, and they cost me \$10.50 per pair, and I can't wear them again." The price seemed an exaggeration to the special, although he remembered the McKinley tariff had just gone into effect; so he said: "They come high, don't they?" "No," said the lady, fiercely; "not any higher than usual. I always wear nine long." This flabbergasted the young special, and he decided to finish the adjustment at once. So said, "Please let me see your stockings." "Sir," said the lady, "do you dare." This settled the special, but not the loss. Next day our plump and pleasing widow called at the office and told the manager that she had been insulted, that no unmarried man had the right to ask her such questions, smiling sweetly on the manager the while. He took the adjustment into his own hands, paying more, I have been told, than if a valued policy law were in force.

It was a small town, and he was young, but earnest, when appointed local agent. He soon mastered the rate book and insured his brother's stock. The brother strongly objected to the high rate and produced last year's policy. It was no use, rules are rules and the minimum rate book contained these words,

Rate on building 1.60

Rate on contents 1.80

The total of these figures is 3.40, and the brother had to pay that rate, or fight—and he paid.

One of our managers has a family of beautiful children. They were discussing a gentleman friend at table, when the little daughter asked, "What is a bachelor?" "Ugh," said the little boy, "anybody knows that. A bachelor is a man whose wife does not wear a wedding ring."

An earnest friend in a somewhat heated debate wound up his argument with the statement: "An underwriter is nothing more nor less than a human being." And that reminds me of a story. In the north end of town a little band of Christian workers have established a Sunday school, in the hope of bringing a little ray of softening intelligence to the minds of the "gamins" of that section. One day the question was put to the class: "What is a human being?" "I know," said the bright boy, "'cause I seen one." "Where did you see him?" "At the circus." "What was he doing there?" "He was in a cage." "A human being in a cage, what for?" "Showing off." "What was he *doing* in the cage?" "Oh, just smellin' round."

Some years ago when President Watt was engaged in picking the stones out of his road to success his inquiring mind found so many queries that it became almost a necessity to put them on paper to classify them. In particular, he wanted to know something about the machinery of a compact. He could not reconcile theory and practice, and he asked several hundred questions through the medium of the Knapsack, which made a sensation in local insurance circles and brought down thunders of eloquent dissent upon his devoted head. The Knapsack also was threatened with death by decapitation. Time, the great healer, soothed the wounded, and the threatened calamity is now but an incident of the mouldy past. Mr. Watt took the wave at its flood and found his fortune.

The Knapsack knew how to take a hint, and it made its serious articles over into funny items. And the compact? Well, you know how it is yourself.

The moral of this is obvious. No matter how young or inexperienced you are, no matter how low down on the ladder of fame, if you feel the fire of business desire within you, feed the flames until they burst out—then ask questions.

DEAR KNAPSACK:—

Since leaving home on my present trip, our chief sent me a premium note for collection. On my arrival at assured's town I secured a team and drove out to his ranch; fortunately he was at home. I introduced myself and stated my business, but imagine my surprise to have him coolly say, "I owe you nothing, sir." The following colloquy then took place, viz.:

"Did you not take out a policy of insurance in the ————— Insurance Company last July?"

"I did."

"Did you retain that policy for several months?"

"I did, but I had an agreement with the agent that I should have the privilege of canceling the policy at any time I wanted to, and when the wet weather came on I decided to carry my own risk, so returned the policy for cancellation."

"You evidently never read the conditions of your policy or you would have known that your agreement with the agent was unnecessary, as you in common with all other policy holders have the right to cancel at any time you so elect. But you surely expect to pay the company for the time you held the policy?"

"It was never that benefit to me" (snapping his fingers).

"My dear sir, if you had suffered a loss by fire during the time you held the policy, would you not have looked to us for payment?"

"Most assuredly I would, and under those circumstances I should have paid you the premium, but as the company has suffered no loss and the policy has been of no benefit to me, I owe you nothing."

There he took his stand, and in fact stood me off. Nothing I could say had any effect on him, so I decided to teach him a lesson; but to make sure of my position I first looked up the county records, and much to my sorrow I found that there was a method in his madness, for in September last he had

transferred his property to his wife. Stood off again, and I am not happy yet, but I expect to be before I get through with the case.

(Note.) The assured is an educated gentleman; at least he has that appearance, and has good use of the "King's English," beside. How sad.

### BY AND BY.

The weary clerk looked up from his book,  
 As the "Special" passed him by,  
 And he gave the traveling man a look,  
 And muttered, with a sigh:  
 "How sleek and saucy he appears,  
 How cheerful is his glance;  
 Of creditors he has no fears,  
 Who lead me such a dance.  
 He thinks that he is fixed for life;  
 Just wait and see me try,  
 I'll get his place without much strife;  
 It will be mine, by and by.

It will be mine, by and by,  
 By and by:  
 It will be mine, by and by.  
 In just about two years,  
 He will have cause for fears,  
 It will be mine, by and by."

The Manager sat in his easy chair,  
 And pressed a little bell;  
 The "Special" tumbled through the air,  
 And, hastening, nearly fell.  
 The Manager said: "Now, take the train,  
 And travel for a year,  
 Whether in sunshine or in rain,  
 And let good work appear."  
 The "Special" started on his way,  
 With a satchel in each hand,  
 And as he traveled, day by day,  
 In obedience to command,  
 He thought: "He seems to have a cinch.  
 His job is very fine;  
 But wait until he gets the 'pinch,'  
 And then it will be mine.

It will be mine, by and by,  
 By and by:  
 It will be mine by and by.  
 I'll be quiet for awhile,  
 But, pretty soon, I'll smile,  
 It will be mine, by and by."

The Death Angel paused in his flight o'er the town,  
 With a gloomy air and severe,  
 And, as he marked his victims down,  
 He said, with a ghastly sneer:



"Its really funny to hear them talk,  
 And scheme for each other's place,  
 While I am ready the plans to balk  
 Of all the human race.  
 An insect has more sense than they.  
 As it flutters in the sun.  
 For *it* enjoys each warming ray,  
 And *their* worry is never done.

They will be mine, by and by,  
 By and by;  
 They will be mine, by and by:  
 I will shut off their breath,"  
 Said the Angel of Death,  
 "They will be mine, by and by."

I met a local agent who represented our worthy President in an Oregon town, said he: "I am surprised to find that my manager, far from being the strict churchman I had supposed, is no better than he should be; why, he is actually profane in correspondence, and that I hold to be inexcusable." I stopped him and demanded proof. The letter ran something like this: "We feel that it is high time to hear from your agency. We find on looking over the expiration book that we have not had a D—R from you in three months." This worldly agent had construed the D to mean dash and the R risk.

From various sources the following has been sent in, but as no two stories are quite alike I take the liberty of an original version:

One day a telegraph boy brought a dispatch from a remote region, reading, "Large losses here cause general congratulations; your office has twelve thousand total." Well, I thought that is candid, to say the least. I know times are hard and business dull; I also have a feeling of uneasiness about incendiarism, and from the tone of the agent's letters heretofore I somehow felt lack of confidence, but this bare-faced exultation over the prospect of a cash sale to insurance companies is carrying bad practices quite too far. It transpired in due time that an error had been made in transmitting the message which was intended to read, "Large losses here cause general conflagration," etc.

### CEMENT CHIMNEYS.

A bright young agent who hails from the Garden City thought the compact ought not to charge for a cement chimney which was not in actual use. His erudite and "strictly in line" manager told him the charge must be made; that as long as the chimney remained, even if it were not in use a charge should be made, and that the only way to obtain a reduction would be to remove the chimney. Nothing daunted this bold but smooth-faced youth, whose smile reminds you of your best girl, would not have it, so he wrote out the following endorsement: "Warranted by the assured that the cement chimney will only be used during the life of the policy for *ventilation purposes*." The aforesaid manager, who loves a joke, sent the endorsement to the compact—and it passed.

## THE EDITOR BURNED OUT.

BUT HE IS THANKFUL HIS LITTLE HOME WAS NOT INSURED.

Klamath Star.

Saturday evening the pretty white cottage belonging to the editor of this paper was consumed by fire, together with everything it contained, save a bed and a few articles of clothing. We had started a fire in the kitchen stove and gone down town, leaving the house temporarily without an occupant. The wood-box caught fire and soon the building was a mass of flame and smoke. The house was not insured, and our loss is about \$900 altogether. To us the fact that we were not insured is gratifying. That fact quietly rakes away from our burned threshold the odium of a suspicion whose brand would have been a much heavier misfortune than the loss of a few hundred dollars. We have been over twelve years in Oregon, and are well known among the newspaper fraternity of the state. Our brethren of the press, also our citizens in Klamath, will cheerfully acknowledge that thus far our conduct has been kept pretty clear of offensiveness. Had the house been insured, however, the circumstantial evidence against us would have been damning, and an innocent man would have been doomed to bear for life the brand of a criminal who burned his residence to rob an insurance company. Thank God that we escaped that misfortune, anyhow!

## IF I SHOULD DIE TO-NIGHT.

If I should die to-night

And you should come to my cold corpse and say,

Weary and heartsick o'er my lifeless clay;

If I should die to-night

And you should come in deepest grief and woe,

And say, "Here's that ten dollars that I owe."

I might arise in my large white cravat

And say, "What's that?"

If I should die to-night

And you should come to my cold corpse and kneel,

Clasping my bier to show the grief you feel;

I say if I should die to-night,

And you should come to me there and then,

Just even hint 'bout paying me that ten,

I might arise the while,

But I'd drop dead again.

## "WAIT, MISTER POSTMAN!"

The postman was late, and was running along,

To gather the letters in time,

When he heard a gruff voice like a bull-frog's song,

Or a mellow-toned cow-bell's chime.

CHORUS:—

"Wait, Mister Postman, don't hurry so fast,

Wait, Mister Postman, I've caught you at last;

This letter must go in the mail before two,  
So our Oakland agent will know what to do.  
Wait, Mister Postman, please bend down your head,  
Wait, Mister Postman, the Compact's not dead:  
Wait, Mister Postman, for heaven's sake wait,  
Or he'll give us more risks at a deep cut rate."

### A NEVADA ADJUSTMENT.

Some say special work is hard and that experience is necessary for success in that line. I made my first trip last week, wrote up some new business, adjusted a loss and found it easy. I suppose there is a difference in men, but I'm a student. I've read the rate books from One to Four, and all of the Pacific Insurance Union circulars, including those that didn't go. I know "Lowden's" Adjustment of Book Losses by heart, and have studied the Kinne Rule over and over, but O! I hope I will never have to adjust a loss where the policies don't read alike. If there's anything in Tiffany, Griswold or Hine I'm not posted on, it must be in later editions than mine. I've even read the Otey Manual clear through, including the dedication and diagrams. So, when the manager called me up from the supply department and started me on a special trip, I was sure I'd succeed because I had the theory down fine and all I had to do was to apply it. I didn't travel far, but I may go out again next summer and stay longer.

First I went to Elko, arriving there January 3. Agent Jones gave me \$2,000 on the "Diamond Hotel." On the fifth the hotel burned. That was too bad, for it set a splendid table. I don't know why they did not get me to adjust that loss.

Then I went to Be-owa-we and took the stage for Weeping Water station, 30 miles west. There I appointed J. Wesley Ferguson agent. He is also postmaster, justice of the peace, notary public, stage agent, express agent, and has a cattle range of 3,700 acres near the station. I insured his dwelling house and showed him how to make the rate under Book 4.

"First," I said, "the basis is seventy-five cents."

"As low as that?" asked the new agent.

"Yes; but that's on each hundred dollars, you know."

"All right," said Ferguson.

"Then for deficiencies we add seventy-five cents."

"What's that for?"

"Isn't there an old silk hat stuck through a broken window upstairs?"

"Yes."

"Well, you can see by the book that we have to charge seventy-five cents for a stovepipe through the side, window or roof."

"Correct," said Ferguson.

"Now for the exposure charges."

"The dwelling stands alone," said the agent; "there's no other building nearer than two miles east, where I have a wooden house occupied by the men at the round-up station, and west three miles I have a cattle barn."

"Hold on," said I, pleasantly; "we must go by the book. For frame dwelling house situate two miles east of said dwelling, on said ranch,

fifty cents, and for frame private barn situate on said ranch three miles west, fifty cents."

"Are they exposures when they are so far away?" asked the agent.

"Well," I answered; "to be fair and square with you, I don't think them very dangerous, even in a strong wind, but we have to charge for them just the same, for the rule says: 'Charge for every other building in the range'."

"That's all right," said Ferguson. "I see you know your business."

"Any objections to my adding the 'adjuster's clause'?" I asked.

"No," he replied, "everything goes. You're pretty good on addition, old man; add anything you want."

So I wrote \$2,000 on his dwelling for five years, annual rate two and a half, term rate seven and a half, premium \$150, and then went to Reno, where I made my first adjustment. The policy covered \$500 on a frame dwelling house, \$300 on household furniture and \$200 on one violin.

The assured was a professional musician, well known in Reno, a distinguished violinist, and appeared to be a man of superior education. Everything checked up all right until I came to the violin.

"Professor," I said, "that must have been a fine fiddle of yours to have had \$200 insurance on it. Where did you buy it?"

"It was left me by my father," he replied, and the tears came to his eyes. "It had been in our family for many years."

When he said this I knew I had him, but I never changed countenance, and continued: "What did you value it at?"

"It was priceless. I refused \$4,000 for it. It was insured for a trifling sum, for I never expected a fire."

"What make was it?"

"A genuine Stradivarius, and was inscribed 'Antonius Stradivarius Faciebat, Cremona, 1771'."

"Who was Faciebat?" I asked, "One of the firm?"

He looked at me wearily and answered, "Faciebat is Latin for 'he made it.' The violin was made by the great Stradivarius at Cremona, Italy, in 1771."

"In 1771 and this is 1895. Then it was a hundred and twenty-four years old, and we supposed we were insuring a new, first-class violin. Of course you don't make any claim on that item, professor?"

"Why not?"

"Look here," said I; "See what Tiffany says;" and I pulled the book on him. "Musical instruments depreciate annually 5 per cent. You can figure the depreciation yourself, professor. A hundred and twenty-four years at five per cent. a year leaves no value, and Griswold says: 'Where there's no value there's no liability'."

"But—" said the professor.

"Tiffany," said I—

"D—n your Tiffany and Griswold, too," said the professor; "was there ever such an idiot?"

"Do you mean me?" said I.

"Never mind, sir," he replied, "I'll write to the company."



"Very well," I answered, and left him. But I never understood why the company finally paid him a total loss.

E. NILES.

### THE SUPPRESSED VERSION.

#### NOT ALLOWED TO BE SUNG IN SAN FRANCISCO.

There was once a simple agent came to 'Frisco on a trip,  
When the Compact rates were split right up the back;  
His cheek was still unhardened, he'd a smile upon his lip,  
Though the Compact rates were split right up the back.  
When he landed at the ferry he took a little stroll,  
And he met a nervous manager who had lost his self control:  
Said he: "The news is awful. Why, bless your verdant soul,  
The Compact rates are split right up the back."

But, oh dear, he doesn't look the same:  
When he left Milpitas he was shy,  
But alas, and alack, he's gone back  
With a naughty little twinkle in his eye.

He walked up town with a twist upon his face,  
For the Compact rates were split right up the back:  
It was hard to hold his morals in their customary place,  
For the Compact rates were split right up the back.  
Of course he knew his manners, he'd been taught to be polite,  
So when asked, "Hem, cut rates?" he said, "Hem, all right,  
I'm a stranger in the city, but at home I'll try to fight,  
While the Compact rates are split right up the back."

He took his arm in confidence, he liked his pleasant ways,  
While the Compact rates were split right up the back;  
And as he passed the offices he stared in great amaze,  
For the Compact rates were split right up the back.  
He asked on what the cut would go, the answer was "good biz,"  
Then he took him into Collins' and treated him to fizz:  
Said he, "I think it's nicer than a glass of milk, it is,  
Though the Compact rates were split right up the back."

They drank until the artless man so very weary grew,  
While the Compact rates were split right up the back;  
That a six per centum rate was dwindled down to two,  
For the Compact rates were split right up the back.  
Then silently he left the town and took the evening train  
And wrote up hay barns at a rate that gave the office pain,  
Said he, "They'll never catch me with their Compact again.  
For the Compact rates are split right up the back."

But, oh dear, he doesn't act the same:  
When he left Milpitas he was shy,  
But alas, and alack, he went back  
With a naughty little twinkle in his eye.

E. NILES.

## TOLD BY CORRESPONDENCE.

*John Doe, Manager :*

DEAR SIR: I, for one, am truly glad that the "American Eagle" has done as well as she has for 1894 and 1895. I expect to double the business of 1894 unless the bottom drops clear out. I am determined to make an insurance man out of myself, and have got to make a record during 1895.

When I took hold of the "American Eagle" here people were not familiar with the name, but now nearly everybody wants an "American Eagle" calendar, and by January 1, 1896, I expect everybody in the city to be better acquainted with the company and particularly with the name "American Eagle Insurance Co."

I am not an extra solicitor in the town, but I can work the farmer to a good advantage, and if the "American Eagle" should, at any time, make up her mind to make a specialty of farm business, I wish you would give me a chance at it. There is many a good risk in the country, and I believe I could double the "American Eagle's" business in the Eden Valley by appointing agents in different places and staying with them and canvassing the whole country.

In the first place I would have me a rig made to order. The gear should be red as fire and the body white as snow, with the words "American Eagle Insurance Company" in large bright letters on the sides of the body, and as for the horse, I already have him, and for style and good looks he cannot be beaten on the Coast. The idea of this would be to attract attention, as \$250 spent in this way would do more good than \$1,000 in newspaper advertising.

In regard to those companies drawing out of the Union, it looks very much to me like they intended to cut rates. If not, why did they draw out? I sincerely hope that they will maintain Union rates, but I am afraid they will not. I heard a man say to-day that he held a mortgage on a certain house in town, and that the rate was \$1.50 per annum, that the policy would expire in June, and that he would not have to pay over two-thirds as much to have it renewed. The way he talked he must have been talking to some insurance agent. Will look into and investigate fully and write you.

Yours truly,

(Signed) JOSHUA WHITCOMB.

## REPLY.

February 5th, 1895.

*Mr. Joshua Whitcomb, Resident Agent, Eden Valley, Cal. :*

DEAR SIR: I have your esteemed favor of January 2d, in reference to the general situation. I am particularly pleased to know that the American Eagle has been well received in Eden Valley, and that you hope to transact a large and prosperous business for us during the current year.

Our own experience is that the American Eagle calendars are largely in demand, in fact more largely than American Eagle policies. Unfortunately calendars, unless followed by policies, do not yield income. It is only the policies issued which furnish us with our daily bread and enough money to pay the expenses of the office, the taxes and the dividends to the owners of the capital stock.

I note your remarks in reference to farm property and your plan backed up by your enthusiasm will doubtless yield very handsome results. The company does not, however, particularly fancy farm property, and I do not think it likely that they will go into that business for some time to come, if at all.

The picture you draw of the rig in which you would travel is, to say the least, graphic and as an advertising scheme would surpass anything on the Coast. Our fellow-citizen, Dr. C. C. O'Donnell, heretofore candidate for all the offices on the city ticket from Poundkeeper to Mayor, during the last campaign hired an express wagon, had it covered with canvas, which he decorated with startling inscriptions; he then purchased an orchestrian, hired a small boy to turn the crank, mounted the front seat and was driven from place to place in the densely populated parts of the city; wherever this vehicle stopped crowds of people gathered, and then the doctor standing on the seat of the rig, delivered his address and made his unlimited promises.

It occurs to me that this company for farm business might be able to employ the doctor with his wagon, orchestrian and small boy to follow in a procession in which your rig would be the leading attraction. From time to time, as you reached small centers of population, you could stop the procession, start the music, give them an address by the doctor, and then mounting the front seat yourself explain to the gaping crowd the merits of the American Eagle policies.

Experience goes to prove that if you want to interest the parents you must interest the children, so it might be well to add to our procession a third wagon containing a "Punch and Judy" show. Usually such entertainments have to be paid for, but we could say that the show was given simply to draw attention to the great strength and broad policy of the American Eagle Insurance Company.

In fact your letter opens up to our mind methods of advertising which would no doubt be valuable and which might be of great benefit to our company. Let us think it out further and if the company ever goes into farm business we will adopt this method and teach the other managers and agents how to do it.

Wishing you success, and hoping to hear from you in the near future, I am,

Yours very truly,

\_\_\_\_\_  
Manager.

I hope I am not over confident of my own power of discernment, and no one has ever accused me of undue egotism, but I feel sure if I were not a special agent I would be a detective. I pride myself on my knowledge of human nature and my ability to see the motives of men at a glance. This was in a measure demonstrated at the large fire at Traver, and I have given the subject of one particular loss a good deal of thought since then, and I think I have gained knowledge of great value both to a special and a detective. The facts are these: One night, or rather morning, for it was about two o'clock A. M., after a long sitting with a claimant I went into the cool

air for the purpose of refreshing myself preparatory to sleep. I was drowsily smoking, when all at once I saw a dark shadow moving along the street in a noiseless and apparently stealthy way. With equal caution I followed; it proved to be a man, and he went with great care and precision to the rear of a building situated on the outer edge of the burned district, let himself into the back door by means of a key, fastened the door, lighted a candle and with deliberate action put a pile of rags in the middle of the floor, poured kerosene over them from a convenient can, and applied a match. I saw the flames burst forth, and waiting to see no more I ran at once to the home of the Town Marshal; awakening that official I quickly told the story, then hastened to the bedside of a few trusty adjusters, arousing them also to action. With much discretion we surrounded the store where the fire had been started. Through the shutters we could still see the form of the incendiary feeding the flames. The marshal had no difficulty in recognizing the man as Alex. Wollenslager, of the firm of Dagger & Wollenslager, and it was well known they were claimants by the recent loss. After a council of war, so to speak, the marshal beat a loud tattoo on the front door, at the same time calling upon the incendiary by name to come out, and be d—d to him. This had the desired effect, and Wollenslager came forth. He was the coolest villain I thought I had ever seen. He had the obsequious air of a counter-jumper, and the accent which is a dead-give-away. He invited us inside with much apparent hospitality, and his eye never blinked nor did his color once change. This, thought I, is the most hardened scoundrel ever caught red-handed. Finally, the marshal recovered from his temporary stupor and made his arrest, naming all the damaging evidence in our possession and the eye witnesses to the crime. "That is all right," said Wollenslager, "I settles my loss with the Royal Insurance Company yesterday, and I gets ready for a schmoke damage and a cash sale to-morrow." The adjuster of the Royal was still in town and confirmed Wollenslager's story. The smoke was an after thought to influence trade.

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The President—I am sure, gentlemen, we are again placed under deep obligations to Mr. Grant for the Knapsack. It has been prepared, as he intimated, amidst extraordinary labors attendant upon the reorganization of the Board of Fire Underwriters, and is as meaty, as pleasant and witty as ever before. We appreciate it very highly, we assure you Mr. Editor, and thank you for it. Is there any other business, gentlemen?

The Secretary—The election of the election committee.

The President—Will you nominate, Mr. Secretary.

The Secretary—Mr. President, if you will pardon me just a moment. There are some circulars here for distribution, sent over by



Mr. Mallett of the Norwich Union, regarding the subject of classification. I received a letter from him asking that these be placed on the table subject to examination, and take pleasure in complying. The books are two guineas each.

Mr. Driffield—Do you know whether these books have reference to the classification of English business exclusively?

Mr. Folger—I will say that Mr. Mallett has sent me, presumably because I have been chairman of the library committee, a copy of this work, which was marked “complimentary,” and which I shall be very glad to place in the library of the Association. In answer to Mr. Driffield: It is a general work, printed, I fancy, at the Norwich Union fire office out of compliment to their assistant, who is in charge of the classification department, and is based upon the experience of the Norwich company.

The President—I have not seen the book or the circulars. It will probably be especially interesting to managers rather than to the members of the Association. We will now hear nominations for election committee.

The Secretary—Mr. Driffield suggested them, and I thought he would place them in nomination. The names are: W. H. Lowden, H. M. Grant, A. G. Dugan, F. G. Argall, F. J. Devlin, B. C. Dick, H. A. Craig, A. R. Grim, Geo. F. Grant, H. Danker, Geo. D. Dornin, D. B. Wilson, R. W. Osborn, R. V. Watt, and W. B. Hopkins. I will place them in nomination, Mr. President.

Mr. Driffield—Second the motion.

The President—Are you ready for the question? All who favor the election of these parties for the election committee will signify it by saying aye. Contrary, no. Carried.

Mr. Edwards—I think it is necessary to elect by ballot, and I would move that the Secretary be instructed to cast the ballot.

The President—You have heard the motion. All who will favor this motion signify by saying aye. Contrary, no. Carried. It is so ordered.

The Secretary casts the ballot.

The President—Has any member any other business to present to the Association before we adjourn. Having none, I desire to say, gentlemen, that I have been highly mindful of the honor conferred upon me in my election as President of this Association. I have received at your hands uniform courtesy. If I have any fault to find it is that so many refused to respond to my appeals for articles for this meeting, and some who agreed to contribute papers afterwards failed to do so. I think I should mention the resolution which was adopted on the first day of this meeting inflicting a fine of fifty dollars upon any member failing to present a paper hereafter when invited, when such member has never contributed. I am sorry that resolution was not put in operation earlier. Had it been I would have had a programme occupying three days. I appreciate, however, very highly all your kindness to me, assuring you that this will always be regarded as one of the most important and interesting years of my life. I again thank you for the honor. (Applause.) If there is no further business, a motion to adjourn will be in order.

Mr. Folger—Will you be kind enough, for the information of those living out of the city, to give the location of the Delmonico, where the dinner is to be given?

The President—It is No. 110 O'Farrell street, north side, west of Stockton. The dinner hour is fixed at 6:30, but it will probably not be served until 7. We expect to have present with us Mr. J. J. Purcell, Assistant United States Manager of the Sun Fire Office, besides a large number of our own members, insurance men of this city, and visitors from north, east and south. I do not know of anybody from the west, unless it be our friend Mr. Folger, who represents western interests. Is there anything further, gentlemen?

Upon motion, the Nineteenth Annual Meeting of the Fire Underwriters' Association of the Pacific was declared adjourned.

## The Annual Banquet.

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The year closing with the largest enrolled membership as well as the largest cash balance of any during the life of the Association was fittingly terminated by a dinner, on Wednesday evening, February 20, 1895, at the new Del Monico, and was among the first large dinners given in the beautifully and completely appointed banquet hall of this popular establishment.

As usual the dinner committee consisted of Mr. Geo. W. Spencer and Mr. Geo. F. Grant. Everything was arranged in excellent taste, and these gentlemen surpassed themselves in their attention to the perfection of every detail.

The banquet board was laid in the form of a horse shoe, extending around three sides of the hall. The scene was brilliant, incandescent lamps, cut glass, beautiful flowers, and happy faces combining to make a picture long to be remembered.

The menu was as follows:

<i>Sauterne</i>	Eastern Oysters on the Half Shell
	Soup:
	Chateau Mont Rouge      Consomme a la Royale
	Relishes:
	Shrimp Salad Mayonnaise      Caviar Russe sur Canape
	Olives Farcies      Saucisson de Lyon
	Fish:
	Turban of English Sole a la Hollandaise
	Pommes Duchesse
	Releve:
<i>Zinfandel</i>	Fillet of Beef, a la Portugoise
1886	
	Entres:
	Supreme de Volaille aux Truffes
	Vegetables:
	Asparagus en Brances      Artichokes a la Barigaule
	Sorbet:
	Maraschino Punch
	Roast:
	Squabs a la Casserole, Lettuce Salad
	Entremets:
<i>Champagne</i>	Croute a l' ananas      Bombeglalice Panachee
	Assorted Cakes      Fruit      Cafe Noir

Following is a list of the members and guests who partook of the dinner:

John Andrew  
J. H. Anhele  
W. H. Bagley  
Franklin Bangs  
Philip S. Bates  
Geo. C. Boardman  
Geo. W. Brooks  
Arthur M. Brown  
R. G. Brush  
Edwin H. Bacon  
E. W. Carpenter  
J. W. G. Cofran  
J. G. Conrad  
Homer A. Craig  
H. Danker  
Charles Dickman  
F. J. Devlin  
George D. Dornin  
V. Carus Driffield  
A. S. Dugan  
Wm. J. Dutton  
L. B. Edwards  
F. C. Farnum  
Jno. T. Fogarty  
Wm. H. Friend  
Herbert Folger  
Wm. H. Gibbons  
Calvert Meade  
R. C. Medcraft  
Geo. H. Mendell, Jr.  
G. Messinger  
R. W. Osborn  
Chas. T. Parker  
Wm. Reed  
R. R. Roper  
Guy H. Salisbury  
L. M. Seaton  
B. D. Smalley  
C. W. Smith  
Roderick Smith  
Sidney H. Smith

James E. Graham  
H. M. Grant  
Geo. F. Grant  
Tom C. Grant  
A. R. Grim  
A. R. Gunnison  
E. F. Gutschow  
Wm. G. Haitz  
E. P. Hanks  
M. C. Harrison  
Rudolph Herold  
Charles B. Hill  
William H. Hill  
W. B. Hopkins  
F. L. Hunter  
R. D. Hunter  
Franz Jacoby  
N. T. James  
F. B. Kellam  
C. Mason Kinne  
L. F. Lamping  
Wm. H. Lowden  
Wm. Macdonald  
Wm. Maris  
W. A. Mathews  
J. D. Maxwell  
J. W. McKowen  
D. A. Spencer  
Geo. W. Spencer  
D. J. Staples  
R. F. Stewart  
Chas. R. Thompson  
Charles F. Towe  
Geo. W. Turner  
Geo. H. Tyson  
J. S. Watson  
Rolla V. Watt  
Louis Weinmann  
John Scott Wilson  
W. C. Wolley

The Association was also honored by the presence of Mr. J. J. Purcell of New York, Assistant United States Manager of the Sun Fire Office of London.



Mr. Rolla V. Watt, the retiring President, followed the time honored custom of presiding at the feast, and occupied a seat at the head of the table, with his successor, V. Carus Driffield, President-elect at his right, and Herbert Folger, Vice-President elect, at his left.

During the progress of the dinner telegrams were received from A. A. Andre and Tudor Tiedemann at Antioch, and from fifteen members and friends of the Association who held a banquet simultaneously at the Hotel Portland, Portland, Oregon. The Portland "contingent" were: Bernard Faymonville (in the chair), Geo. F. Ashton, W. F. Chalmers, J. D. Coleman, R. P. Fabj, J. L. Fuller, A. F. Gartner, M. J. Green, Ed. Hall, A. Herman, E. T. Niebling, H. E. Parkhurst, H. Smith, Sam B. Stoy, J. H. de Veuve.

An animated after-dinner conversation was interrupted by some well-chosen words from the President, who suggested that members of the Association were like "minute men," ready to move at the word of command and without previous notice, and should promptly respond when called upon for "remarks."

No program had been arranged, except as to music, but naturally the first speaker called upon was Mr. Driffield, President-elect. Mr. D., upon arising, was met with storms of applause and the cries of "He's all right, every time." He then proceeded to thank the gentlemen for the honor conferred upon him by his election to the presidency of the Association, and promised the best administration of which he was capable. Vice-President Folger was next called, and disclaimed any feeling of personal pride in his election, believing that he had been chosen out of compliment to the Northwest representatives in the Association. Mr. Louis Weinmann, Secretary and Treasurer elect, then responded to the President's call, paid a high compliment to his predecessor, and thanked the Association for the honor conferred. Ex-Secretary Osborn, who had been elected chairman of the executive committee during the session, was next called upon, and spoke eloquently of the objects and attainments of the Association. We take the liberty of quoting from *The Coast Review* the proceedings from this point:

L. B. Edwards referred to the new faces. There are now nearly 200 members of the Association, while originally, for a long time, there were

only forty or fifty. E. W. Carpenter, who had been made an honorary member, sang a topical song, in the chorus of which everybody joined. Mr. Carpenter became a member sixteen years ago. D. J. Staples responded to Mr. Watt's request, with a few remarks beginning, "My boys," but he was not "the father," he said. That honor belonged to Geo. C. Boardman, the oldest man in the business in this field. Mr. Staples believed in the Fire Underwriters' Association, he said, and had always encouraged it. The Association was an honor to the profession. Frank J. Devlin spoke of character and its influence on the future of young men. Geo. C. Boardman, referred to as the senior underwriter, had a few words to say. Tom C. Grant met with uproarious applause when he proposed a bumper to the dinner committee. Mr. Medcraft sang a song, "I Need no Stars in Heaven to Guide Me," and nobody seemed to think that the title might have an application to the banqueters when they sought their homes. Mr. Watt formally thanked the dinner committee, and Geo. W. Spencer replied only too briefly. He had come there to enjoy himself, and that precluded a speech. Geo. F. Grant acknowledged that Mr. Spencer, his fellow committeeman, had done the most of the work. Mr. Grant then declared that, like every other banquet, this was the best, and like every other meeting the nineteenth was the best, etc. Wm. Macdonald took pleasure in saying that he was an applicant for membership in the Association, and promised to take an active interest in its affairs should he be elected. John Scott Wilson was of opinion that "we are overwriters now." D. A. Spencer was surprised and gratified at the thorough good fellowship manifest. All were friendly around that board, though they might scalp each other on the outside. The insurance business, he said, was a personal one. John Conrad said there ought to be good fellowship, because there are interests in common. The friendly spirit prevailing there should also be equally in evidence at board meetings.

Mr. J. J. Purcell of New York expressed his pleasure at being present with and meeting the managers and field men of the Coast. He had for years "packed the grip" and understood the value of this branch of the service.

A topical song by R. W. Osborn was sung by A. W. Brown, and everybody "caught on" to the chorus. Mr. Dickman told two good "broken German" stories excellently well. Then the presiding officer resumed calling on the "minute men." Rudolph Herold gave an account of the pleasant two weeks he spent in New York discussing the Pacific Coast expense ratio. A. G. Dugan seriously said "this is entirely unexpected," and was interrupted by cries of oh! ah! and "so say we all." Geo. D. Dornin briefly touched on "the situation" and ventured the opinion that the local agents have shown themselves more conservative than the managers. He thought the locals would hereafter have a better opinion of the compact, and would make fewer complaints. W. J. Dutton, too, had something to say of the existing unpleasantness. He summarized the board members' pledge, and found in it good ground for a hopeful view. Other speakers were Messrs. Bates, Harrison, Seaton, Lowden, Kellam, Grim, Bagley, Smalley, Fogarty Gibbons and others. Then followed the "low jinks," with John Scott Wil-

son as most worthy sire. There was an entertaining bit of by-play, and several good stories, rich and reminiscential, were told.

The underwriters' trio, composed of Messrs. Hopkins, Dickman and Graham, favored the company with a number of excellent songs during the evening, and on each occasion were loudly applauded.

After a thoroughly enjoyable evening the banquet was brought to a close, and the handsome program and menu card, the cover of which was designed by Mr. F. B. Kellam, was carried away by those in attendance as a souvenir of a delightful occasion.

Mr. Carpenter's topical song was as follows:

I DIDN'T THINK HE'D DO IT; BUT HE DID.

AS SUNG BY E. W. CARPENTER.

[A very much resigned ex-company manager]

The world is full of people who are always on the bluff,  
And you meet them—ev'ry where.  
In our underwriting business we've found many that are tough,  
Hardly ever—on the square.  
I had an old time customer whose rate was boosted higher;  
He "kicked" and said insurance was "no good."  
I jokingly suggested he could square accounts by fire;  
To tell the truth I didn't think he would.

CHORUS:

I didn't think he'd do it, but he did, did, did;  
He said he always knew it, and he did.  
He beat me "by a scratch,"  
With his auburn-headed match;  
I didn't think he'd do it, but he did.

Though proof was really lacking, I accused him of the crime,  
Said I'd land him—in the jail,  
And I quoted court decisions from the early English time,  
In a way that—made him quail,  
But finally suggested that I might not prosecute,  
So full of human kindness was my mood,  
If for one dollar full receipt he'd promptly execute;  
To tell the truth, I didn't think he would.

CHORUS:

I didn't think he'd do it, but he did, did, did;  
He wanted to get through it, and he did.  
He took his dollar bright  
Then briskly skipped from sight.  
I didn't think he'd do it, but he did.

I trembling, took the policies, was paralyzed with joy,  
 But recovered—very quick,  
 When claimant's many creditors quite promptly did employ  
 An attorney—smart and slick,  
 Who "intimidation" hinted at, and prison bars "to boot."  
 Claimed total loss in manner very rude.  
 I told him I'd receipts in full—he'd better bring his suit;  
 To tell the truth, I didn't think he would.

CHORUS:

I didn't think he'd do it, but he did, did, did;  
 He told me that I'd rue it, and I did.  
 On the judge he "had the call,"  
 Made me pay claim, costs and all.  
 I didn't think he'd do it, but he did.

Now episodes like this one detract sadly from the bliss  
 Underwriters—all desire.  
 But when thereto, through faithless fraud, large loads of acts remiss,  
 Are by themselves piled higher,  
 I was so much disgusted that I couldn't help but tell  
 (In vernacular so plainly understood),  
 My offices I "guessed" I'd quit—the "biz" could go to——\*  
 (*Spoken*) Well,  
 Of course, you know I didn't think it would.

CHORUS:

From present point of view, it seems it did, did, did;  
 For *something* happened to it, yes there did.  
 But where going to or gone  
 Is too deep a thought for song.  
 I didn't think 'twould do it, but it did.

\*Considering the present unsettled condition of insurance affairs on this Coast (to which, as a whole, and not to the "biz" of any particular office, reference is here made) the writer would not hazard a suggestion as to the locality, and the reader can (of rhyme regardless) supply the omission in accordance with his idea of the situation as seen from his individual point of view.

Mr. Osborn's topical song was as follows:

### THE NAUGHTY MAN.

BY R. W. OSBORN, AS SUNG BY A. M. BROWN.

(With apologies to "The Bogie Man.")

Come, listen to my song to-night, you underwriters all,  
 I'll tell you 'bout the naughty man, who's bound to have his fall—  
 He joins the P. I. U., he does, the rules and laws he'll scan,  
 But he'll not keep to anything, this very naughty man.

CHORUS:

Fie! Fie! Fie! Oh, what a naughty man,  
 To join the P. I. U. and promise everything he can;  
 Just look there, and quickly his face scan,  
 And tell me if you'd think him such an awful naughty man.



He goes into the street forthwith, a broker for to catch,  
And offers twenty-five, but finds the other quite his match:  
He offers thirty, thirty-five, the limit of his plan—  
Another takes the broker from this very naughty man.

CHORUS:

The next step is the country, there an agent for to get,  
He'll not stop short of twenty-five or thirty, you can bet:  
To drop or shelve the other one is usually his plan,  
You can't find out so very much about this naughty man.

CHORUS:

Then comes disruption, threatened so, to all along the line.  
The organization fails to cash a solitary fine;  
So daily do the members meet to formulate a plan,  
To check the work and damage of this very naughty man.

CHORUS:

Then one his resignation sends, in hopes to bear good fruit,  
When, within a week or two, so many follow suit;  
The war gets warm, and each man sweats, some needing much a fan,  
And on account the crooked ways of this very naughty man.

CHORUS:

The new Board forms and to the sea each Underwriter went.  
To discuss the ways and means, the naughty things we must prevent;  
When they returned, quite full of joy at a perfected plan,  
They bid good-bye to tricks and works of this very naughty man.

CHORUS:

LATER. [POSSIBLY A LITTLE PREMATURE.]

The war is fully over and we are all into line.  
New hope springs up, bad faith no more, for all is looking fine;  
Each man has to his senses come, and every face you scan  
So clearly shows from this time on there is no naughty man.

CHORUS:

Ha! ha! ha! each is a goody man,  
To join hands with the rest of us to do the good he can:  
Ha! ha! ha! just try each face to scan,  
And it will be impossible to find a naughty man.



## Matters of Interest During the Year.

### THE VALUE OF INSURANCE LITERATURE.

DELIVERED AT A RECEPTION OF THE CLERKS' ASSOCIATION BY THE BOARD OF  
F. U. A. P.

*To the President, Members and Guests of the Association :*

I was requested a week ago to give you to-night my ideas of "The Value of Insurance Literature," and I won't begin by saying that I have given the subject no thought, for I have thought of it a great deal. However, I may have some trouble in conveying those ideas to you briefly and coherently, for writing papers has never been my forte.

The value of insurance literature should and must appeal to all thinking men in our profession and by all who expect to succeed in the insurance business. The events and thoughts of past decades form the precedents and the rule of action of to-day. Just so will our actions and experiences of to-day constitute precedents for the guidance of those engaged in the business twenty years hence.

Those of us who expect to succeed in the insurance business must benefit by the experience of underwriters in the past and in the present, and while benefiting by such experience, must act in the present so that our actions may constitute safe and reliable precedents for those who are to follow us in the future.

There is no business or profession in the world which is so dependent upon precedents and past experiences as is the insurance business. Our business is one of probabilities, and how can we expect to gauge the probabilities of the present and future more safely than by observing the experiences of the past.

Now, how are we to gather up the threads of past experiences and weave them into the events of the present except through insurance literature. Is it not a fact that our whole success depends upon our ability to benefit by past and present experiences in the business, and is it not also a fact that insurance publications and insurance literature is the one great channel aside from personal observation through which these experiences can be gathered together? Looking at it in that light am I not warranted in saying that insurance literature is one of the most important, if not *the* most important, adjunct to our business?

Referring more particularly to the different kinds of insurance literature at hand we have:

First, the policy which contains the crystalized results of thought, observation and experience of insurance and legal minds in our business. How many of you have ever thought to read and study the terms of an insurance policy carefully?

Next we have the insurance journals which give us a transient record of current experiences, opinions, observations, and a reflection of the thoughts of the day. These journals are pioneers of the frontier of the insurance world; they are the recorders of the events and experiences which will in time pass into history and serve as mile-stones and guides for those who may in future travel the insurance path.

Next we have the law books, text books and statistical works, which are the permanent records of past events properly sifted and arranged for reference and instruction.

All these classes are exceedingly important to the underwriter and to those who expect to follow insurance as a profession.

If you were to ask me which you had better read first, I should unhesitatingly say, read and study the terms of policies in current use, and then read the insurance journals, and through them keep abreast of the times and observe the changes which are continually being worked in the insurance world, for the events and occurrences of the present will have a marked influence upon your actions in the future. If you have any time to spare after you have read the policy blanks and the insurance journals, then try to round out your knowledge of the business by a study of the published standard insurance books, which as before stated, contain a permanent record of the events that are past. If you should be fortunate enough to have the time and inclination to read all these classes of literature, and at the same time be in a position to add thereto the advantages of personal observation, you cannot fail to become a thorough and reliable underwriter. But whatever you read, do not neglect the insurance journals, for while it may be important to know the insurance judgments and experiences of our predecessors of long ago, and benefit thereby, it is more important that you should understand the questions and conditions of the present and base your action thereon, for events and conditions coming under your personal observation will be safer and more intelligible precedents for you to follow in after-life than the events which occurred twenty years ago, found recorded in books, and of which you were not personal observers.

The great number of insurance journals, books and publications now being issued and seeking favor and patronage naturally suggests the inquiry "Which is the best?" In connection with this inquiry I am reminded of the Kentucky colonel's remark about whiskey. "All whiskey is good, sah, but some whiskey is better than other whiskey."

Read as much as you can, but try to read intelligently and understandingly. Learn to distinguish the true from the false theories, to separate the grain from the chaff, and when you are in doubt do not hesitate to ask questions. Read those things first which may have a bearing or a reference to the work which you are doing, and do not forget that the general information, knowledge and theories gained by reading will give you the basis or foundation of an insurance career much the same as the reading of Blackstone's Commentaries gives the aspiring lawyer the broad, general principles of law upon which his chosen profession rests.

There is much of the detail of the insurance business which we cannot gather from books or from literature; a knowledge of these details must come to you by personal experience, but those of you who will first lay the broad foundation of general knowledge through reading, the details of the business will have a safe and sound foundation.

BERNARD FAYMONVILLE.

## LIST OF MEMBERS.

## ACTIVE MEMBERS.

- Agard, J. J., Special Agent, Hartford Fire Insurance Company.  
Anderson, Hugh, Adjuster, Salt Lake, Utah.  
Andre, A. A., Independent Adjuster.  
Andrew, John, Special Agent, Butler & Haldan.  
Argall, F. G., Special Agent, Balfour, Guthrie & Co.  
Ashton, Geo. F., Special Agent, Fireman's Fund Ins. Co.  
Avery, Frank M., Special Agent W. J. Callingham.
- Bagley, W. H., Special Agent, Phoenix and Home Insurance Companies.  
Bailey, J. D., General Agent, Insurance Company of North America.  
Barkman, F. C., Assistant Manager Continental Insurance Company.  
Barnett, B. N., Adjuster.  
Bangs, Franklin, Assistant Secretary, Home Mutual Insurance Co.  
Bates, Leslie, Special Agent, Gutte & Frank's Agency.  
Beck, J. M., Manager, Fire Association of Philadelphia.  
Beckett, L. J.  
Belden, H. K., Manager, Hartford Fire Insurance Company.  
Bertheau, C., Manager, Hanover Insurance Company.  
Bertheau, Max A., Assistant Manager, Hanover Insurance Co.  
Boardman, Geo. C., General Agent, Aetna Insurance Company.  
Borchers, H. H., Special Agent, New Zealand Insurance Company.  
Boyd, H. C., Assistant Manager, Rudolph Herold's Agency.  
Bradford, John D., Deceased.  
Broomell, B. B., Special Agent, National of Hartford Fire Insurance Co.  
Bromwell, L. L., General Agent, Milwaukee Mechanics Insurance Company.  
Brown, Edward, General Agent, Brown, Craig & Co.  
Brown, A. M., Special Agent, Brown, Craig & Co.  
Brush, R. G., Special Agent, Liverpool & London & Globe Insurance Company.  
Burke, H. R., Special Agent, Royal and Norwich Union Insurance Companies.  
Butler, Geo. E., General Agent, Phoenix Assurance Company of London.  
Callingham, W. J., General Agent, Scottish Union and National, and Orient Insurance Companies.



- Chalmers, W. L., Fire Insurance Adjuster.  
Christensen, Chas., Manager, Delaware and American Central Insurance Companies.  
Cofran, J. W. G., Manager, Hartford Fire Insurance Company.  
Conrad, J. G., General Agent, Voss, Conrad & Co.  
Craig, Homer A., General Agent, Brown, Craig & Co.  
Craig, Hugh, Manager, New Zealand Insurance Company.  
  
Danker, H., Assistant Manager, Transatlantic Fire Insurance Co.  
Deering, Chester, Special Agent, Brown, Craig & Co.  
Delafield, Robt. H., Special Agent.  
Devlin, Frank J., Manager, Atlas Assurance Company.  
DeVeuve, James H., Independent Adjuster.  
Dibbern, J. H., of Manheim, Dibbern & Co., City Agents.  
Dick, B. C., General Agent Sun Insurance Company of S. F.  
Dickson, Robert, Manager, Queen, Royal Exchange and Connecticut Insurance Companies.  
Donnell, A. C., General Insurance Agent, Okell, Donnell & Co.  
Dornin, Geo. D., Manager, National Fire Insurance Company of Hartford.  
Dornin, Geo. W., Assistant Manager, National Fire Insurance Company of Hartford.  
Driffield, V. C., Manager, Transatlantic Fire Insurance Company.  
Dubois, S. V., Special Agent, Lion, Imperial, and Sun Insurance Companies.  
Dugan, A. G., General Agent, Springfield Fire and Marine Insurance Company.  
Dutton, W. J., Vice-President, Fireman's Fund Insurance Company.  
DuVal, W. S., General Manager Pacific Coast Department, Continental Insurance Company.  
  
Ecklin, Chas. C., Special Agent, Home Mutual Insurance Company.  
Edwards, L. B., Superintendent of Agencies, with Balfour, Guthrie & Co.'s Agency.  
  
Fabj, R. P., Special Agent, Fireman's Fund Insurance Company.  
Farnsworth, Ed. P., Adjuster.  
Farnum, N. C., Special Agent, Home Mutual Insurance Company.  
Faymonville, Bernard, Second Vice-President and Secretary, Fireman's Fund Insurance Company.  
Fennel, Henry T., Special Agent, Palatine Insurance Company.  
Fogarty, J. T., Special Agent, R. V. Watt's Agency.  
Folger, Herbert, Manager, Portland Branch, New Zealand Insurance Company.  
Frank, Wm., General Agent, Gutte & Frank's Agency.

- Fraser, W. A., Special Agent, Fire Association.  
Francis, Guy, Special Agent.  
Friend, W. H., Secretary, Sun Insurance Company of S. F.  
Fuller, J. L., Special Agent, Royal Insurance Company.  
Gartner, A. F., Special Agent, Phoenix and Home Insurance Companies, Portland, Oregon.  
Gazzam, W. L., Special Agent, Ætina Insurance Company, Seattle, Wash.  
Gibbons, W. H., Special Agent, Brown, Craig & Co.'s Agency.  
Gilcrest, Frank M., Special Agent, Royal and Norwich Union.  
Grant, Geo. F., Manager, London and Northern Assurance Companies.  
Grant, H. M., Manager, Western of Toronto, British America and American of N. Y. Insurance Companies.  
Grant, Tom C., Manager, North British & Mercantile Insurance Company.  
Gunnison, A. R., Special Agent and Adjuster, Palatine Insurance Company.  
Gurrey, A. R., Adjuster.  
Greene, M. J., Special Agent, Continental Insurance Company.  
Grim, Alfred R., Assistant Manager, Alliance Assurance Company of London.  
Gutte, I., General Agent, Gutte & Frank.  
Haldan, E. B., General Agent, Phoenix Assurance Company of London.  
Hall, O. N., Special Agent, Fire Association of Philadelphia.  
Haven, Chas. D., Resident Secretary, Liverpool and London and Globe Insurance Company.  
Herman, A.  
Herold, Rudolph, General Agent, Hamburg-Bremen and Niagara Insurance Companies.  
Heron, John D., Special Agent.  
Hewitt, Dixwell, Special Agent, Union Assurance Society.  
Hicks, F. S., Insurance Agent, Los Angeles, Cal.  
Hill, Wm. H., Special Agent, Brown, Craig & Co.  
Hillman, J. R., General Agent, American Central, Delaware and Pacific Insurance Companies.  
Holmes, Jno. M., Special Agent, Hartford Fire Insurance Company.  
Hopkins, W. B., Special Agent, London & Lancashire Fire Insurance Company.  
Hamilton, J. K., Special Agent, Insurance Company of North America.

- Halsey, H. G., Special Agent, Fireman's Fund Insurance Company.  
Hunter, R. D., Special Agent, Fireman's Fund Insurance Company.  
Hughes, Ed. O., Special Agent, Palatine Insurance Company.  
Ives, S. D., General Agent, Fireman's Fund Insurance Company.  
Jacobs, Julius, General Agent.  
Jacoby, Franz, General Agent, Prussian National Insurance Company.  
James, N. T., United States Manager for Alliance Assurance Co.  
Jones, Alfred, Adjuster, Vancouver, B. C.  
Kinne, C. Mason, Assistant Resident Secretary, Liverpool & London & Globe Insurance Company.  
Lamping, L. F., Special Agent, Springfield Insurance Company.  
Landers, W. J., Manager, Lion, Imperial, and Sun Fire Insurance Companies.  
Lanktree, J. B.  
Lavery, J. G., Adjuster.  
Lockey, Richard, Adjuster, Helena, Montana.  
Lowden, W. H., Resident Secretary, North British and Mercantile Insurance Company.  
Laton, Chas. A., General Agent, Palatine and United Fire Insurance Company.  
Leonard, Geo., Assistant Manager, Transatlantic Insurance Company.  
Lord, Leslie, Special Agent, Geo. D. Dornin.  
Magill, A. E., General Agent, Phoenix and Home Insurance Companies.  
Mailliard, J. W., Insurance Agent.  
Mann, H. R., General Agent, Mann & Wilson's Agency.  
Manning, F. J. H., Special Agent, Palatine Insurance Company.  
Maris, Wm., Special Agent, Brown, Craig & Co.  
Marshall, J., Jr., Special Agent Robert Dickson's Agency.  
Maxwell, J. D., Insurance Agency.  
McElhone, F. H., Special Agent, Fireman's Fund Insurance Company.  
McCarthy, Thomas J., Adjuster.  
McKowen, J. H., Adjuster, Spokane, Wash.  
McVean, D., Special Agent, Transatlantic Fire Insurance Company.  
Meade, Calvert, Adjuster.  
Mel, Louis, Special Agent, Ætna Insurance Company.  
Mendell, Geo. H., Jr., Special Agent, Fireman's Fund Insurance Company.

- Merrill, M. H., Special Agent.
- Miles, D. E., Assistant Manager, London & Lancashire Fire Insurance Company.
- Mitchell, Geo. M., Adjuster, New Zealand Insurance Company.
- Morrison, Ed. C., Special Agent, Ætna Insurance Company.
- Marston, J. A., Special Agent, Balfour, Guthrie & Co.'s Agency.
- Miller, T. L., Special Agent.
- Medcraft, R. C., Sub-manager, Imperial and Lion Insurance Companies.
- Morgan, W. O., Special Agent, Home and Phoenix Insurance Companies.
- Morrow, J. H., Special Agent, W. J. Callingham's Agency.
- Mullins, C. F., Manager, Commercial Union Assurance Company.
- Naunton, R. H., Special Agent and Adjuster.
- Nearney, T. A., Special Agent, Northwestern National Insurance Company.
- Niebling, E. T., Special Agent, Commercial Union Assurance Company.
- Niles, Edward, Special Agent, London Assurance Corporation.
- Nippert, Paul M., Special Agent, Home and Phoenix Insurance Companies.
- Okell, Charles J., Okell, Donnell & Co.
- Osborn, R. W., Special Agent, Brown, Craig & Co.'s Agency.
- Outcalt, Peter, Adjuster.
- Palache, Whitney, Special Agent, Hartford Fire Insurance Co.
- Parker, Chas. T., Assistant Manager, Palatine Insurance Company.
- Parker, S. S. C., Special Agent, Okell, Donnell & Co.
- Pope, T. E., Assistant General Agent, Ætna Insurance Company.
- Potter, E. E., General Agent.
- Reed, Wm.
- Ridling, A. G., Special Agent, Continental Insurance Company.
- Scott, Chas. O., Special Agent, Insurance Company of North America.
- Seaton, L. M., Special Agent, Fireman's Fund Insurance Company.
- Sewell, A. F., Special Agent, Springfield Insurance Company.
- Sexton, Wm., General Adjuster, Fireman's Fund Ins. Co.
- Sinclair, A. P., Special Agent, Phoenix and Home Insurance Companies.
- Smalley, B. D., Adjuster, Seattle.
- Smedberg, W. R., Smedberg & Mitchell's Agency.
- Smith, Ben. J., Special Agent, Robert Dickson's Agency.



- Smith, C. W., Special Agent, Alliance Assurance Company.  
Smith, H. Brownson, Adjuster, Dallas, Texas.  
Smith, H. H., Special Agent, Catton, Bell & Co.  
Smith, Roderick E., Special Agent, Fire Association of Philadelphia.  
Smith, Sidney H., Special Agent, London & Lancashire Fire Insurance Company.  
Spencer, D. A., General Agent, Westchester Fire Insurance Company.  
Spencer, Geo. W., Manager, Manchester, Caledonian and American Insurance Companies.  
Spencer, H. McD., Special Agent, Balfour, Guthrie & Co.  
Speyer, Walter M., Special Agent, Mann & Wilson.  
Spinney, Chas. S., Special Agent, Butler & Haldan's Agency.  
Sprowl, E. G., Special Agent, Liverpool and London and Globe Insurance Company.  
Staples, D. J., President, Fireman's Fund Insurance Company.  
Stillman, A., Secretary Executive Committee Board of Fire Underwriters.  
Story, Chas. R., President, Home Mutual Insurance Company.  
Storey, Frank C., Special Agent, Rolla V. Watt's Agency.  
Stoy, Samuel B., Special Agent, London & Lancashire Fire Insurance Company.  
Stuart, C. A., Assistant Manager, Western of Toronto, British America, American of New York Insurance Companies.  
  
Thomas, W. P., Superintendent of Agencies, Commercial Union Assurance Company.  
Thompson, E. L., Special Agent, Northwest Insurance Company, Portland, Oregon.  
Thompson, Chas. R., Special Agent, German-American Insurance Company.  
Thornton, A. W., Special Agent, Insurance Company of North America.  
Tiedemann, Tudor, Special Agent, Brown, Craig & Co.  
Turner, G. W., General Agent, Northwestern National Insurance Company.  
Tyson, Geo. H., General Agent, German-American Insurance Company.  
Tyson, R. J., Special Agent, German-American Insurance Company.  
Young, Frank W., Special Agent, Home Mutual Insurance Company, Denver.  
Voss, F. G., General Agent, Voss, Conrad & Co.

Warren, Albert M., Special Agent.  
 Watson, I. S., Special Agent, Home Mutual Insurance Company.  
 Watt, Rolla V., Manager Royal and Norwich Union Insurance Companies.  
 Weinmann, Louis, Assistant Secretary, Fireman's Fund Insurance Company.  
 Wenzelburger, A., Adjuster.  
 Westlake, W. B., Special Agent, Home Mutual Insurance Company.  
 Wetzlar, A. J., Fire Insurance Adjuster.  
 Wheeler, Dalton, Adjuster, Los Angeles.  
 White, F. G., Denver, Col.  
 Whitley, N. B., Special Agent, Brown, Craig & Co.  
 Wilson, D. B., Adjuster.  
 Wilson, J. Scott, General Agent, Mann & Wilson's Agency.  
 Williams, T. H., Special Agent, Imperial Fire Insurance Company.  
 Wooley, W. C., Special Agent, Springfield Insurance Company.  
 Wright, L. A., Special Agent, Alliance Assurance Company of London.

## HONORARY MEMBERS.

Bigelow, H. H., Adjuster, San Francisco.  
 Brodrick, W. J., Insurance Agent, Los Angeles.  
 Carpenter, E. W., Jones street, San Francisco, Cal.  
 Conroy, T. J., Assistant Secretary Executive Committee Board of Fire Underwriters.  
 Dudley, W. W., Manager, Manchester Fire Assurance Company, Chicago.  
 Edwards, J. G., Publisher Coast Review, San Francisco.  
 Houghton, J. F., San Francisco.  
 Hine, C. C., Editor Insurance Monitor, New York.  
 Jack, A. Hill, General Manager, National Insurance Company of New Zealand.  
 Kirby, D. L., No. 1 Pine Street, New York City.  
 Low, Geo. P., Electrical Inspector, Board of Fire Underwriters.  
 McLellan, G. F., Insurance Agent, Los Angeles.  
 Olmstead, W. N., 62 Cedar Street, room 10, New York.  
 Parkhurst, H., Surveyor, Board of Fire Underwriters.  
 Porter, F. H., 303 California Street, San Francisco.  
 Smith, A. D., Surveyor, Board of Fire Underwriters.  
 Winne, Peter, Helena, Montana.

# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

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### *OFFICERS FOR 1895.*

PRESIDENT. . . . . V. C. DRIFFIELD  
VICE-PRESIDENT. . . . . HERBERT FOLGER  
SECRETARY AND TREASURER. . . . . LOUIS WEINMANN

---

### *EXECUTIVE COMMITTEE.*

R. W. OSBORN      FRANK J. DEVLIN      J. T. FOGARTY

---

### *LIBRARY COMMITTEE.*

A. G. DUGAN      HERBERT FOLGER      E. P. FARNSWORTH

---

### *DINNER COMMITTEE.*

GEO. W. SPENCER      GEO. F. GRANT

---

CALIFORNIA KNAPSACK—GEO. F. GRANT, EDITOR  
ED. NILES, ASSISTANT EDITOR

PROCEEDINGS

OF THE

TWENTIETH ANNUAL MEETING

OF THE

# Fire Underwriters' Association

OF THE PACIFIC



San Francisco, Cal., February 18th and 19th, 1896

PRINTED BY ORDER OF THE ASSOCIATION

1896



THE COAST PRINTING COMPANY

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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

### TWENTIETH ANNUAL MEETING

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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

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### OFFICERS FOR 1895.

President . . . . . V. C. DRIFFIELD  
Vice-President . . . . . HERBERT FOLGER  
Secretary and Treasurer . . . . . LOUIS WEINMANN

---

### EXECUTIVE COMMITTEE.

R. W. OSBORN                  FRANK J. DEVLIN                  J. T. FOGARTY

---

### LIBRARY COMMITTEE.

A. G. DUGAN                  HERBERT FOLGER                  E. P. FARNSWORTH

---

### DINNER COMMITTEE.

GEO. W. SPENCER    GEO. F. GRANT

---

California Knapsack—GEO. F. GRANT, Editor

ED. NILES. Assistant Editor

# Fire Underwriters' Association

## OF THE PACIFIC.



FIRST DAY.

SAN FRANCISCO, CAL., February 18th, 1896.

The twentieth annual meeting of the Fire Underwriters' Association of the Pacific was called to order by the President, V. Carus Driffield, on Tuesday, February 18th, 1896, at 10 o'clock A. M.

On motion, there being no objection, it was ordered that the calling of the roll be dispensed with, and that the Secretary be requested to simply note those present.

The following members were present :

A. A. Andre,  
George E. Butler,  
Geo. C. Boardman,  
C. Bertheau,  
H. A. Craig,  
Geo. D. Dornin,  
V. C. Driffield,  
H. Danker,  
J. G. Edwards,  
E. P. Farnsworth,

F. G. Argall,  
H. K. Belden,  
Leslie Bates,  
R. G. Brush,  
Chas. Christensen,  
Geo. W. Dornin,  
Frank J. Devlin,  
L. B. Edwards,  
Wm. Frank,  
Henry T. Fennel,



Herbert Folger,	N. C. Farnum
R. P. Fabj,	W. A. Fraser,
J. L. Fuller,	Geo. F. Grant,
A. R. Gunnison,	A. R. Grim,
I. Gutte,	Frank M. Gilcrest,
H. M. Grant,	J. K. Hamilton,
R. D. Hunter,	C. Mason Kinne,
Geo. Leonard,	Leslie Lord,
L. F. Lamping,	Calvert Meade,
D. E. Miles,	Louis Mel,
J. H. Morrow,	Geo. H. Mendell, Jr.,
D. McVean,	Thos. McCarthy,
Wm. Maris,	R. H. Naunton,
P. M. Nippert,	R. W. Osborn,
Whitney Palache,	Chas. T. Parker,
H. E. Parkhurst,	A. R. D. Paterson,
William Sexton,	Edw. G. Sprowl,
Walter M. Speyer,	D. A. Spencer,
A. F. Sewell,	C. S. Spinney,
B. D. Smalley,	Chas. O. Scott,
C. W. Smith,	R. J. Tyson,
E. L. Thompson,	Tudor Tiedemann,
A. W. Thornton,	Rolla V. Watt,
I. S. Watson,	L. A. Wright,
W. B. Westlake.	

The President then announced that, as the minutes of the last meeting were in print, the reading of the same would be dispensed with.

The Secretary then read his annual report as follows :

SAN FRANCISCO, Feb. 18, 1896.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—

I have the honor of submitting herewith my annual report as Secretary for the fiscal year ending February 19th, 1896.

At the commencement of the year, February 21st, 1895, we had a membership of 197. During the year but two members have been added, mak-

ing a total membership of 199. This number has been decreased by three resignations, one death and fifteen being dropped from the roll for non-payment of dues and ineligibility, so that the active membership is now 180. The unusual decrease was caused by the demoralization in the insurance business forcing many members to seek employment other than insurance and thereby becoming ineligible. For the same cause it was difficult to obtain new members. It is earnestly requested that every effort be used the coming year to make good the loss in membership that we have sustained.

The number of honorary members remains the same, being 17.

Death has visited us but once, taking away our esteemed associate, John D. Bradford.

Five meetings have been held during the year, exclusive of this one, with an average attendance of thirteen.

Notwithstanding the large decrease in membership, the Association is in excellent condition financially.

The Secretary has been put to much annoyance and the Association to some expense by members not sending in change of address. It is hoped that anyone changing his address will at once notify the Secretary.

The wisdom of selecting those who reside in the city as members of the Election Committee was conclusively shown during the year as no difficulty was experienced in obtaining the requisite number to ballot on candidates.

Very respectfully submitted,

LOUIS WEINMANN,

Secretary.

On motion, duly seconded, the report of the Secretary was approved as read.

The Treasurer then submitted his annual report as follows :

# TREASURER'S REPORT.

SAN FRANCISCO, February 18th, 1896.

*To the Fire Underwriters' Association of the Pacific; Mr. President and the Members of the Association:*

GENTLEMEN :—

I have the honor to hand you herewith my report as Treasurer for the fiscal year ending February 19th, 1896:

## RECEIPTS.

Balance on hand February 19th, 1895 . . . . .	\$389 81
Received from dues . . . . .	856 00
Received from sale of badges . . . . .	2 00
Received from sale of annual proceedings . . . . .	35 75
Received from admission fees . . . . .	10 00—\$1,293 56

## TREASURER'S REPORT.

## DISBURSEMENTS.

1895.

Feb. 26.	Salary of Secretary (R. W. Osborn) . . . . .	\$100 00
March 4.	Reporting and transcribing Annual Proceedings. . . . .	53 75
April 10.	Bosqui Engraving & Printing Co. . . . .	30 00
April 10.	D. S. Stanley & Co. . . . .	11 75
April 30.	D. S. Stanley & Co. (funeral circular) . . . . .	1 75
April 30.	Louis Weinmann (stamps and telegram) . . . . .	1 80
April 30.	Wm. Mitchell (delivering circulars) . . . . .	1 00
May 24.	A. G. Dugan (flowers, J. D. Bradford . . . . .	5 00
June 12.	D. S. Stanley & Co. . . . .	1 75
June 21.	Taxes 1895 . . . . .	1 50
July 24.	Rent of assembly room (July, June and May) . . . . .	30 00
July 25.	Coast Review (400 copies Annual Proceedings). . . . .	265 00
Sept. 2.	Wm. Mitchell (delivering circulars August) . . . . .	1 50
Sept. 13.	Spoiled check . . . . .	..
Sept. 13.	D. S. Stanley & Co. (circulars for August) . . . . .	1 76
Oct. 28.	Postage and delivering circulars in July . . . . .	5 60
Oct. 30.	Rent of assembly room (Aug., Sept. and Oct.) . . . . .	30 00
Nov. 22.	Wm. Mitchell (delivering November notices) . . . . .	2 10
Dec. 12.	D. S. Stanley & Co. (Nov. cir. and del. notices) . . . . .	4 75
Dec. 31.	Louis Weinmann (taxes and stamps) . . . . .	1 00

1896.

Jan. 9.	Fireman's Fund Ins. Co. (Policy No. 1,250,872) . . . . .	5 70
Jan. 15.	Insurance Law Journal . . . . .	6 00
Jan. 28.	Insurance Law Journal (back numbers) . . . . .	2 00
Jan. 31.	Rent of assembly room (Nov., Dec. and Jan.) . . . . .	30 00
Feb. 5.	D. S. Stanley & Co. (special notices for Feb.) . . . . .	1 75
Feb. 6.	Wm. Mitchell (delivering notices) . . . . .	1 50
Feb. 10.	Payot, Upham & Co. (300 engraved invitations) . . . . .	12 50
Feb. 11.	D. S. Stanley (250 printed envelopes) . . . . .	1 25
Feb. 17.	Stamps (annual meetings and dinner notices) . . . . .	1 70
Feb. 17.	Wm. Mitchell (delivering notices annual meeting) . . . . .	1 50— \$613 91

Balance on hand February 18, 1896 . . . . . \$679 65

LOUIS WEINMANN,  
Treasurer.

President Driffield announced that the report had been approved by the Auditing Committee, and there being no objection, it was ordered that the report be approved as read.

Then followed the report of Mr. Osborn, Chairman of the Executive Committee, as follows:

## REPORT OF EXECUTIVE COMMITTEE.

*Mr. President and Gentlemen:—*

In pursuance of a constitutional provision, your Committee examined the books of the Secretary and Treasurer and found them correct.

The unsettled condition of affairs during the past year has had a marked effect upon the Association, and yet we feel that notwithstanding this, the Treasurer's report is a subject for congratulation. At the commencement of our year the enrolled membership was 197. Since that time death has come upon us in one instance and removed from our midst the lamented J. D. Bradford. There have been three resignations, and fifteen have been dropped from the roll for non-payment of dues. This latter item was unusually large, and of course is attributable to the lack of employment on the part of a number of the specials.

The Association received in dues the sum of \$856, fees \$10, and for the sale of Annual Proceedings the sum of \$35.75. This latter item ought to have been materially increased, for the reasonable price of additional copies should enable the members to subscribe liberally to them.

The total receipts for the year were \$903.75, and the disbursements \$613.91. Heretofore the Association has not been called upon to pay rent, but the past year drew from the treasury the monthly rental of \$10.

The item that your Committee desires to particularly call attention to, and which we think will be the source of great satisfaction to the members, is the balance on hand of \$679.65. We commenced the term with a balance on hand of \$389.81, and notwithstanding a considerable loss for the non-payment of dues, a handsome balance is shown with which to commence the new year.

Your Committee feels it proper to express regret at being unable to report greater progress during the year, and our sympathies are with the President at the un auspicious time at which he commenced his administration, but we sincerely trust that the present session will compensate for what may have been inevitably omitted during the past twelve months.

We have no recommendations to make.

Respectfully submitted,

R. W. OSBORN, Chairman.  
FRANK J. DEVLIN,  
JOHN T. FOGARTY.

SAN FRANCISCO, February 18, 1896.

On motion, duly seconded, this report was then placed on file.

The report of the Library Committee was then read by Mr. Argall as follows:

*To the President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—

In presenting to you their report for the past year, the present members of your Library Committee would say that their work has been materially hampered by the successive changes in the personnel of the Committee. The Chairman was requested to take charge only so late as the middle of December, since which time, owing to pressure of other engagements pre-



viously contracted, it has been impracticable for your Committee to do much more than outline work for the future.

It would appear that no report was presented by the Library Committee of the Association at the 19th Annual Meeting, nor was any appropriation then made for use during the past year. Under these circumstances interest in the library seems to have languished; and, beyond a few trifling items for postages and the like, no actual expense has been incurred. Some progress has been made, however, towards a rearrangement of the library and in considering projects for its extension and improvement.

As heretofore we would suggest that the thanks of the Association be extended to the respective publishers of the "Coast Review," "Pacific Underwriter," "Insurance Monitor," "The Weekly Underwriter" and "The Standard," for their courtesy in supplying us gratuitously with their valuable publications, and to Mr. F. H. Porter of the Inspection Bureau for frequent and careful attention given to the filing and binding of periodicals in the Association rooms. We are also indebted to the various underwriters' associations in the Eastern States, Great Britain, and the Australasian Colonies, for copies of their annual reports; and we suggest that this Committee be authorized to continue sending to such other organizations not more than twenty exchange copies of our Annual Proceedings.

We are of the opinion that many members of the Association could add valuable material to the library in the shape of reports, old tariff books, and interesting documents relating to the early years of the insurance business on the Pacific Coast, which may otherwise be wholly lost to us after a comparatively short period. The Committee can easily procure pamphlet boxes and other conveniences for preserving such material in good order, if encouraged to do so. We are indebted to Mr. Geo. W. Spencer for a copy of the policy form used by the original Manchester Fire Insurance Company, in 1773; and suggest that other papers of the same kind might be procured without difficulty.

We have noticed that with one exception the expenditure for the library during recent years has been small, but that the Executive Committee has recommended on at least one occasion, that it be increased. Your Committee believe this can be done with corresponding profit to the Association, and that a somewhat more liberal expenditure will much increase the efficiency and value of the library. Previous appropriations have been limited to one hundred dollars which, in ordinary years, should and will be enough; but, at this stage, after two years of inaction, your Committee would recommend that the appropriation be increased to one hundred and fifty dollars. Our treasury is in good condition, and it would seem the amount suggested can well be spared. In addition to adding materially to the contents of the library, it will be necessary to provide a new book-case, as the present one is already filled and a number of volumes are suffering from exposure to dust in the rooms. To bring the library up to date it will also be necessary to purchase some of the legal technical publications which have appeared during the last two or three years.

Some of the files of the "Coast Review" and other periodicals are broken, and other books are missing. We recommend that the new Library

Committee establish rules with the view of preventing any further injury in this direction.

In 1894 a Committee recommended the preparation of a Blue Book containing a complete catalogue of the library, a list of all the members from the beginning of the Association, and a complete index of our Association Reports. We recommend that this work be undertaken during the coming year, the expense of same to be included in the proposed appropriation.

In conclusion, we trust that more interest in, and appreciation of, the library will be shown by the members than has been noticeable in the past, and congratulate the Association upon possessing an excellent foundation for a very valuable permanent library.

Respectfully submitted,

F. G. ARGALL, Chairman.  
HERBERT FOLGER,  
E. P. FARNSWORTH,  
Committee.

The President stated that inasmuch as the report of the Library Committee contained valuable suggestions and recommendations, it would be wise to refer it to a committee to report at a later stage of the proceedings.

On motion the report was received and referred to the committee that will hereafter be appointed to consider the President's annual address.

President Driffield then delivered his annual address as follows :

#### PRESIDENT'S ADDRESS.

*Gentlemen of the Fire Underwriters' Association of the Pacific:*

After a turbulent year of general demoralization and excited competition,—of grave anxiety and responsibility to the manager and general agent; of arduous effort, with small hope of compensating fruition, by the field man; and of a serious struggle for existence on the part of many local agents; and during which our mental energies have been sorely taxed, we are, in furtherance of the objects of our Association, again assembled in friendly conclave. Such objects are constitutionally defined as being the promotion of harmony and good practice in our business; the interchange of views, opinions and personal experiences; and the discussion of topics of interest to the profession; and it is to be earnestly hoped that this meeting may not fall short of the attainment of such aims. It is hard to realize that a twelvemonth has elapsed since our last annual meeting, but, despite the rapid flight of time, it must be patent to us all that the year just ended has marked a memorable epoch in the history of underwriting upon the Pacific Coast. Having experienced a decade of prosperity under the regime of the late lamented Pacific Insurance Union, we have since been confronted with a period of de-

moralization—almost approaching a state of chaos—marked by general inadequacy of rates, increased cost of business, and a surrender by the companies of many of the safeguards with which we formerly considered it essential to surround ourselves. And why this transformation? Has the community at large been afflicted with a corresponding period of depression and disquietude? Such has not been the case. What Nemesis, then, has suddenly appeared to balk *our* efforts and paralyze *our* rationality? To what cause are we to ascribe the necessity for the existing condition of our business affairs? These questions are far reaching, and involve the consideration of details (many of which are, happily, almost forgotten) too numerous for recital in this short address, but, bitter though the reflection may be, it must be admitted that to no influence outside of our own circle is to be ascribed this deplorable state of affairs.

#### THE ERA OF PROSPERITY.

An era of continued prosperity, fostered by such an inequality of rates as resulted in an abnormal profit in the larger centers of our population, evoked the cupidity and blunted the conscience of not a few of the fraternity. Principle was sacrificed to greed, self-respect to policy, and obligations were not only lightly evaded but were openly broken. The seeds of distrust being thus sown, germinated rapidly, and, ere long, many of those who would have scorned to take the initiative in such derogatory practices lent their adherence to the same, justifying, to themselves, their actions by recalling the real or fancied sins of their fellows. The Compact authorities brought to bear upon the subject all the tact and diplomacy of which they were capable, and for which they were justly celebrated, and in a mild manner administered such discipline to the recalcitrant members of the Union as seemed to them advisable, but grew faint-hearted with their task, and shirked the responsibility of boldly meeting the issue and of strictly enforcing the prescribed penalties against members who were notorious for their infraction of the rules.

And so the evil grew, practically unchecked, until it assumed such dimensions as to be intolerable to those who remained true to their pledges. Is it to be wondered that we were met with withdrawals from our Union, and that in addition to our *own* internal troubles we had to face the element of Non-Board competition?

#### SUSPENSION OF RATES.

As an experimental and corrective measure, rates and rules were suspended in certain localities, and then ensued a rough-and-tumble fight in which business was secured at grossly inadequate rates and at an equally excessive cost. This partial demoralization, however, proved insufficient to bring about the desired results, and although strenuous efforts were being made, with a seeming probability of success, to effect a re-organization which would give hopes of stability, we were suddenly confronted with such additional resignation from the Union, as rendered the further life of that body an impossibility. Then the storm broke and gathered force as it spread, and,



within a short space of time, a large proportion of the business of California was auctioned off to the *lowest bidder*.

It is needless to enter into details, and to present an array of comparative figures for your benefit. You all know the results of 1895, a year which under normal conditions would have resulted in a most favorable showing for the companies, and which, under the circumstances, turned out far less disastrously than was generally anticipated. But the effects of the demoralization of the past twelve months cannot be gauged by the results of the year just ended; 1896 and 1897 are yet to be heard from, and in the light of the experience we have already gathered upon the subject, the results to be anticipated at the close of the present and also of the following year, are to be viewed with apprehension and anxiety.

#### PERHAPS A BLESSING IN DISGUISE.

While we cannot but deplore the unsettled state of affairs which has existed during the past year, I feel convinced that the same was, under all the circumstances, a matter of absolute necessity, and that while the occasion therefor might have been postponed for some short period, yet the same was inevitable sooner or later. It is also my firm conviction that our existing troubles will ultimately prove a blessing in disguise, and that the atmosphere will have been so thoroughly cleared thereby that we may confidently look forward to a long continued period of prosperity and peace. At the present writing it seems probable that the meeting of underwriters recently held in Monterey may prove productive of the desired results, for it seems scarcely credible that the comparatively slight differences of opinion now existing between a small number of the representatives of the companies should prove of sufficient moment to thwart the earnest efforts being made for the attainment of a successful reorganization.

The new constitution of the Board of Fire Underwriters which, at the meeting alluded to, received so great a preponderance of approval, fully provides for the three essential necessities:—reduction in the cost of our business; prevention of rebates; and the abatement of the credit evil. And upon a subsequent equalization of the rates, and with a strict and prompt enforcement of the rules, and, above and beyond all else, with the disposition of absolute *bona fides* on the part of each and every representative of the companies, there should, it appears to me, be every prospect of a long-lived and prosperous organization.

With this hope, fervently expressed, I leave the subject, and will revert briefly to our own particular affairs, but before doing so, and in order that I may not be misunderstood, I wish to state that I recognize fully that our Association is composed of elements drawn from both (so-called) Board and Non-Board sources, and that we, as a body, are entirely non-sectarian in that regard. Also that our membership is comprised largely of field men and others who are not *directly* interested in the subject of my remarks; but, in view of the fact that there is not one of us who is not, at least, indirectly, concerned in the welfare of the business, I trust you will agree with me that the exigency of the occasion called for more than a passing notice of the existing condition of insurance affairs upon the Pacific Coast.



## AFFAIRS OF THE ASSOCIATION.

The past has been a decidedly "off" year with us as an Association, and I regret to say we have but little to show, in the shape of accomplishment, since our last annual meeting. The intervening quarterly meetings have evoked but little interest, and have attracted scarcely sufficient attendance to provide the number necessary to constitute a quorum. This apparent lack of interest has, undoubtedly, been largely due to the disordered condition of our business affairs, and it was scarcely to be expected that we could look for any great degree of animation in our councils when our minds and energies were concentrated upon the struggle in which we have been involved. At the last regular meeting, however, the Committee upon "Adjusters' Charges and Contribution Thereto" made an extended report, which was adopted and will be presented for your final consideration, during the present sessions, and it is to be hoped that the subject will receive your careful attention, and that this meeting may not adjourn without the passage of such a well-defined rule, in the premises, as may be acceptable to all concerned.

From the report of the Secretary and Treasurer, which you have already heard, you will have perceived that the financial condition of the Association is all that could be desired, as, after having met all obligations for expenses incurred, we have to our credit in the bank the very satisfactory balance of almost \$700.

It is customary, I believe, that some portion of our surplus funds should be devoted to the extension of our library, and the expenditures of our spare moneys in such direction is to be commended, but, whether or not such course is to be further pursued, I would suggest that the Library Committee give more attention to the matters over which they have control, and that such arrangements be effected as will lead to the proper custody and preservation of our books and periodicals. It is, I think, essential that a complete catalogue of our library possessions should be prepared. We have files of periodicals which should be assorted and bound. Volumes are missing which should be traced and restored to our shelves. No book should be taken from our rooms unless a proper receipt therefor has been given by the member exercising that privilege, and such receipt should not be cancelled until the volume taken has been duly returned. I have spoken to Mr. Porter, of the Inspection Bureau, upon the subject, and he informs me that he would be pleased to allow his clerk to act as the honorary custodian of our library, should you see fit to act upon these suggestions.

It is with some concern that I call your attention to the decrease in the number of our membership, but this again is a natural sequence of the unsettled condition of affairs with which we have had to contend during the past year. But few of the withdrawals have been voluntary. Loss of position and consequent change of occupation or of abode have conspired to bring about the regretted results.

Once during the year just ended has the Grim Messenger knocked at our portals. Shortly after our last annual gathering we were all deeply concerned and distressed to learn of the death of our esteemed colleague, Mr.

John D. Bradford, who had but recently come among us. He was with us sufficiently long, however, for those who had the privilege of his acquaintance to realize and appreciate his individual worth and the high standard of his ability. Appropriate resolutions of respect to his memory and of condolence with his friends were duly passed, and copies thereof were dispatched to his relatives and to the company of which he was the honored representative upon the Coast.

#### FIRE UNDERWRITERS' CLERKS' ASSOCIATION.

By reason of the difficulty of getting our members together no reception was, during the year, tendered by this body to the Fire Underwriters' Clerks' Association, as recommended at our last annual meeting, but it is to be trusted that the incoming President may meet with better success, and that this desirable feature, instituted by ex-President Watt may become a permanent custom at our semi-annual meetings. The Clerks' Association was, however, invited to submit papers, written by its members, for the examination of a Committee to be appointed by our body, with the understanding that the best of such papers would be read at this meeting and also incorporated in our printed proceedings. It will be remembered that at our last annual meeting a similar course was pursued, and that we were favored by a very excellent paper, written by Mr. T. Danforth Boardman. Our invitation has this year, however, met with no response, and I am informed by President Anderson that the causes which have contributed to the lack of interest in our own proceedings have similarly affected those of the Clerks' Association. Under more favorable auspices there is every reason to believe that such invitations would meet with a hearty response, and would redound to our benefit, and to the credit and encouragement of the junior Association.

#### QUARTERLY MEETINGS.

It was suggested by our preceding President that more favorable results might probably be attained by a return to our former method of monthly instead of quarterly meetings as at present, but in view of the experience of the past year, I am of the opinion that such a change would be decidedly inopportune at the present time, and that until our business affairs are in a much more settled condition, it would be wiser to content ourselves with a limited number of regular meetings during the year. It is greatly to be desired, however, that the interest of our members in such meetings should be stimulated, and with that end in view, I would suggest that, besides the transaction of the routine business, there be provided for the special consideration and discussion of those in attendance suitable papers and topics, to be pre-arranged by the Executive Committee.

In the past, many matters of importance and interest to the managerial element of our Association have been the subjects of our deliberations, but the conclusions arrived at have rarely proved effective, as we have lacked, as a body, the executive authority necessary to lead to the enactment of such measures as have recommended themselves to our understanding. We

are, at this meeting, to have reports from various Committees, on the following subjects: "Adjusters' Charges and Contribution Thereto," "Mortgage Clause," and "Re-Insurance Clause," and I trust that the time and labor of these Committees may not have been wasted, and that those in authority will give such reports the consideration to which they are entitled. If the recommendations therein contained proved generally acceptable, the members of this Association will harbor no resentment should the newly-formed Board of Fire Underwriters see fit to steal *our* thunder.

During the present meeting you will be provided with galley proofs of the constitution and by-laws as they now exist, with all amendments enacted since the date of the last publication thereof in 1888, and, if no material changes are desired, a long needed new edition thereof will be issued without further delay.

The existing method governing the election of members was the subject of criticism at our last annual meeting, but as only *two* occasions have been presented during the year for the testing of the adequacy thereof, it would appear to me that the present plan has had an insufficient trial to warrant any immediate change therein.

#### NEW BOARD OF FIRE UNDERWRITERS.

As before expressed there appears to be a reasonable probability that the newly formed Board of Fire Underwriters may shortly become an operative institution. Should such, happily, prove to be the case, it is to be trusted that the opportunity which now presents itself for the introduction of needed reforms in the workings of such an organization may not be neglected. An equitable system of schedule rating, capable of being easily understood and appreciated by the average layman, should be provided. The application of the co-insurance clause, as affecting the rate, should be insisted upon. Open permits for "other insurance" should be disallowed. A simple system of classification of fire premiums and losses should be inaugurated and undertaken by the Board authorities. A specific charge for the electrical hazard should be made upon buildings (and their contents) installed with electric wiring, unless a certificate from a recognized competent authority is furnished, to the effect that such installation has been properly and efficiently performed. The "iron-safe" clause of Texas might, with benefit, be required upon all policies covering country merchandise stocks. These are but a few of the desirable measures which will suggest themselves to your minds as worthy of adoption by the new Board.

#### LOCAL BOARDS.

As we are to listen to a paper upon the subject of local board organizations I will not dwell upon this topic at any length, but it would be an injustice to refrain from referring to the utility of such bodies, as amply proven during the past year. The Northwest, especially, has provided us with examples of the effectiveness of such organizations, and while I feel that the same should be subject to the control and direction of a "central" governing body, and that there is some need of danger to be apprehended



in the relegation to our local agents of the authority the principal representatives of the companies alone should possess, yet we must acknowledge and appreciate the fact that, but for the existence of these local boards the demoralization with which we have had to contend would have been greatly aggravated.

#### THE PAPERS.

It has been my aim to interest the younger and more diffident element of our membership in the proceedings of the Association, and with that end in view, I have sought papers from those who have not previously contributed, for our benefit, their written ideas. From an inspection of the programme, you will perceive that, with one exception, the writers are unknown to fame—that is, the fame which is conferred upon those of you who have already crossed the Rubicon and distinguished yourselves upon the occasion of our previous annual gatherings, and for these neophytes I crave your considerate indulgence, at the same time expressing it as my belief that the latent talent, now brought to light, will impress you with the fact that the resources of the Association are very far from being exhausted.

The absence of theoretical and technical papers from our programme is due to the fact that the time of our members has been so fully occupied during the past year, as to preclude the possibility of the thoughtful preparation requisite to the production of the same, and should the subjects presented by our contributors provide insufficient scope for discussion, it is to be trusted that you will introduce such topics of interest as may furnish material for your argumentative consideration.

It is possible that you may hear from several tardy contributors whose names do not appear upon the programme. Of one additional paper, at least, we are certain—"Thoughts of a Hired Man," furnished by our old standby, Ed. Niles, is sure to prove of interest.

\* \* \* \* \*

The twenty-first year of our existence—the year of our majority—opens promisingly. The weather is glorious; good crops are assured; the trade prospects for the Coast are brighter than has been the case for some years. The dark clouds which have enveloped us during the past year are gradually lifting, and already display the silver lining which it is to be hoped will develop into the glory of the noontide sun. For the present let us revel in anticipation.

On motion of Mr. Watt, duly seconded, the address was referred to a committee for consideration, together with the report of the Library Committee.

The President announced that the Association would be favored with a paper contributed by Mr. D. B. Wilson, and that, as that gentleman was unfortunately absent from the city, Mr. Osborn had kindly consented to read the same. Mr. Osborn then came forward and read as follows:



## FORTY-FIVE YEARS AGO.

Our worthy President took advantage of my high regard for him, and in an unguarded moment obtained a promise to recite at this meeting some personal experiences of nearly half a century ago. That many changes have taken place during that period is but a natural process, yet having kept up with the procession the man has to a certain extent changed with the times. It has therefore occurred to me that it might be more or less interesting, at least to the younger members, to learn the methods prevailing forty-five years ago. I shall take but a few moments to recite them.

The company with which the writer commenced his insurance career was organized under the mutual plan, by special act of the Legislature, there being at that time no general laws for the formation of insurance companies. This company did business on the mutual plan, and also on what was then called the joint stock plan. In the first instance the policies were issued for six years, and in the latter they were issued from one month to one year. Whatever profits were derived from the stock department inured to the benefit of the mutual members.

## POLICIES AND APPLICATIONS.

As stated, these policies were issued for six years, and the premium was computed at six annuals, for which a note was given. Upon this note a cash payment of 10 per cent. was made, and the residue payable at such time or times as the losses and expenses of the company required. The policies not only contained the usual conditions, but incorporated therein were the charter and the by-laws of the company, and members were bound by the provisions of all three.

In each instance an application was taken. These applications were rather voluminous, corresponding, to a certain extent, with the farm applications now in use on this Coast. No policy was permitted to be issued until an application had been filed, signed by the insured and certified by the agent. The latter, if he took the risk, must certify that he had examined same and recommended the risk.

Applications in the city were submitted to an inspector who, after making the examination, endorsed his comments on the back of the application, which was then presented to the President for approval or rejection.

Insurance maps were entirely unknown. After a very careful canvass of the city in which we were located, sufficient interest among the companies could not be aroused to compensate a party for making a map of the city. They preferred relying upon the old method of block books and inspection. While this method had a tendency to delay the work and the approval of business, yet on the other hand it surrounded the business with the chief safeguard of inspection, which is so frequently omitted in these times.

## CLASSIFICATIONS.

We did not have classifications of hazards in our office. The old President used to say that it was not necessary, as he knew the proper rate to

charge. The first interview with him, after I had assumed the management of a company, is still fresh in memory, and it was in the endeavor to obtain information as to how he arrived at the various rates charged, knowing as I did that there was nothing on the books of the company to show what each particular class of business had cost. Feeling at that time the importance of knowing the cost, we opened a set of books in which were credited the premiums received on the various classes and charged with their respective losses and the pro rata of expenses. This, in comparison with the tables now in use, was of necessity crude and very imperfect, but we derived from it considerable satisfaction.

We recall the criticism of an eminent member of the profession, who, upon being shown this classification, and with its merits explained with more than ordinary pride, replied that in his judgment it was of little or no value as it covered too limited a field. I replied that it covered the entire field then under cultivation, and that out of this field we must derive sufficient revenue to pay the losses and expenses, and that this classification had enabled me to determine satisfactorily to myself that there were classes of hazards in the field in which we operated that could not be safely written at the prevailing rates.

The hazards as a class were similar to those in this city, although, I think, of better construction. Manufacturing establishments were almost entirely constructed of brick, and the same character of construction applied to the better class of mercantile risks and to dwellings. Frame ranges in cities were entirely unknown, and in the smaller towns there were very few.

#### INSPECTIONS.

Inspections were made with great care. The whole building or plant was examined in detail, commencing with the cellar and extending to the roof. Inspectors were required to know the defects, if any, and the proper method of remedying the same, and where serious defects were discovered, with failure on the part of the owner to correct the evil, the risk was declined. This was most natural, as we had no tariff defining a standard risk, with charge for such deficiencies, as we now have.

The careful method of inspection outlined as above seems to have been neglected when rating organizations began to make their appearance. In those times rates were based upon the hazard of individual cases, and while I am a strong advocate of rating organizations intelligently administered, yet I am somewhat in doubt as to their being the best school for the education of the underwriter. The effect on the mind of the special due to the fact that the risk carries a special rate, has oftentimes manifested itself to the writer in the careless manner in which risks were examined by the field men. They act as though they believed the hazard had received every consideration necessary when the rate was made. Woe be to the inspector, in the times recited, if a serious defect existed in the risk which was demonstrated by the fire and which he had overlooked or failed to report.

Rates were as a rule higher than those prevailing on this Coast a year or two past. We had a smaller territory to cultivate, and necessarily, the

income being restricted, the rate was necessary to meet the hazard.

The facilities for the extinguishment of fires were of the crudest and most unsatisfactory nature. The most approved methods were in our large cities, and even there they merely consisted of hand engines under volunteer departments, and very frequently were with inadequate water supply.

#### LOCAL AGENTS' COMPENSATION.

The compensation to agents consisted of 10 per cent. upon the cash premium paid and a policy fee of \$1.00. City solicitors, however, received merely the policy fee as named. This, however, became changed as the methods of business required. As an illustration of the growth of compensation, I will state that one agent who began his business career contemporaneously with the writer not only received subsequently the policy fee of \$1.00, but in addition a commission of 25 per cent. upon the cash premium.

In those days there was no such thing as reinsurance practiced by the companies with which I was associated. In fact, a reinsurance policy was unknown until after I had been connected with the business some ten or fifteen years.

All excess lines were placed by us, we requiring the company taking the line to give us an equal amount in return, and on such exchange business commission was neither paid nor received. But the usual reciprocity account was very carefully watched.

#### ADJUSTMENTS AND PROOFS.

Adjustments were then conducted somewhat differently than at this date. Where a total loss was reported, the adjuster did not visit the scene of the fire until after proofs of loss had been filed. As there were no printed forms in use, these proofs were oftentimes very voluminous, for in some instances they contained not only the written portion of the policy, but also the conditions of the policy, classification of hazard, and the charter and by-laws of the company. The assured was required to furnish the proofs at his own expense, and in a majority of these instances the proofs were prepared by attorneys. If, however, the proofs were prepared by the adjuster at the request of the assured, the former charged the latter a liberal fee for his compensation.

After the proofs were sworn to, the adjuster then took charge of the loss. The partial losses of course were acted upon as soon as possible, and the method of adjusting stock losses was then similar to the present. Where an agreement could not be reached, an appraiser was appointed. On the contrary, with buildings, a builder's estimate was obtained, and the adjustment was effected upon that basis. I do not recall any appraisal being had on buildings during the early part of my career.

The foregoing is a brief recital of the methods in vogue forty-five years ago, and while I have merely touched upon each subject, yet I trust that sufficient has been written to outline the careful and conservative methods of those times. To those who retrospect and recall the past so vividly, the present suggests some remarkable changes in the business.

D. B. WILSON.



The President—Gentlemen, the difficulty which I experienced in obtaining Mr. Wilson's consent to write a paper for us has been amply rewarded by the interesting contribution we have just listened to, upon the methods in vogue in the halcyon days of forty-five years ago. I did not think that Mr. Wilson was so far advanced in years as to be so thoroughly acquainted with these methods; but he certainly has reached greater maturity than I imagined. Are there any remarks upon the paper just read? (Pausing). There appearing to be none, we will now pass to a paper entitled, "A Plea for Local Board Organization," by Leslie Bates. I do not see Mr. Bates present, and we will pass that paper for the present.

The next paper is entitled "Counter Business," by Mr. Alfred R. Grim.

#### "COUNTER BUSINESS."

In determining upon an article to be read before this meeting, it occurs to me that the acceptance of country business over the counter is a matter which should be given more serious consideration than it appears to have received; and, although a subject not admitting of much scope as a paper, is none the less of great importance.

Of course, there are certain classes of risks, notably special hazards, which a company is fully justified in writing when properly inspected, known to be a paying investment, and not considered as being within the jurisdiction of any particular agency.

I think, however, that brokers' business should not be accepted when located within territory controlled by an agent; and it is this part of the subject with which I desire most to deal.

The knowledge to a company that the business will be under the constant supervision of a competent representative is one of the fundamental reasons for the establishment of an agency. Therefore, with what degree of confidence can we accept a line from a broker simply on his mere representation?

When business is offered in this manner, if we feel confident that the line is entirely controlled by the broker, we should refer the risk to our agent, with the understanding that, if reported on favorably, the commission be divided between the broker and himself.

But how often will the broker accede to this arrangement? Invariably he will refuse such a proposition, and generally succeeds in placing the business where he will receive the benefit of the entire commission.

It is difficult to comprehend why merchants and owners of property resort to the practice of placing their insurance through a broker rather than an accredited agent who resides in, and is identified with, the town where such property is located.



## WHY THE ASSURED PREFERS THE BROKER.

There are, in my opinion, three reasons in support of the foregoing:

First—Either the assured is not able to satisfactorily effect insurance in the town where his property is located, for reasons best known to the agent, or, does not desire the agent to be informed regarding the amount he is carrying, for reasons best known to himself.

Second—The broker is often enabled to give the assured a cheaper commodity by sacrificing a portion of his commission.

Third—The assured has interests in various towns, and desires his insurance to be handled exclusively by the city broker. It seems hardly fair to thus deal solely with a city representative.

If business men would give the matter closer consideration, they would, I think, arrive at the conclusion that the benefits to be derived from their insurance should revert to the agent residing in the town where the assured's business is conducted.

It would be advantageous to the merchant to do this; the natural consequence being that the agent will feel obligated to trade with those who give him insurance, thus resulting in a reciprocity beneficial alike to both.

## THE LOCAL AGENT'S RIGHTS.

Is it justice to our representative to write business over his head? Is it not virtually depriving him of what is rightfully his, according to the accepted interpretation of the commission of authority?

What a row "ye Pacific Coast manager" would raise if he learned that his Eastern brethren were writing on property located within the jurisdiction of the Pacific Coast department!

Why then should not the poor agent arise in his wrath and cry "Do unto others as you would be done by"?

Much desirable business may be lost by abstaining from this practice, but, in the long run, the loss will be more than overcome, as the agent will work more willingly, more conscientiously and with better heart, and is bound to accomplish the most satisfactory results when he knows that his interests are being protected.

A dangerous element in accepting a risk over the agent's head, is the possibility of his also securing a line on the same property, thus creating an overline; he being unaware of the fact that the company had already issued a policy.

Occasionally risks will be taken through a broker in towns where the company has no representative. This appears to me to be anything but good underwriting.

Risks located in towns where it has not been deemed advisable to establish agencies, should surely be refused when offered by brokers.

From personal inquiries I learn that during the past year but little counter business has been written, owing chiefly to the convulsive condition of the insurance situation on this Coast.

I am of the opinion that if, by mutual agreement, this acceptance of direct business be entirely discontinued, it will result in more harmony; and will, in some degree, if not materially, reduce the loss ratio, as risks taken in this manner are in many cases not inspected; and it is a well-known fact that non-inspection will inevitably result in no profit.

ALFRED R. GRIM.

The President—Gentlemen, the local agencies have found a valuable champion in Mr. Grim. I think you will all agree generally in his conclusions, but we shall be glad to hear discussion.

Mr. Watt—The President appears to be afraid the programme will move along too rapidly. I will therefore say a few words on this subject. I am fully in accord with the principles laid down in the paper, as to the inadvisability of taking risks over the agents' heads where we are not represented. But there is an old saw to the effect that consistency is a jewel rarely found; and while local agents seriously object to our writing business in their territory over the counter in San Francisco, they are very tenacious of the privilege of writing business in the territory of other local agents. I suppose we have all had experience with the agent in San Jose who wants to write business in Los Gatos, or the man in Los Angeles who wants to write business in Pasadena, or the man in Stockton who wants to write business in Lodi; but to write business in San Francisco, over the head of an agent in San Francisco is not admissible. There are very few outside mercantile risks offered by San Francisco brokers, except such as cannot secure insurance in their own town; but on the other hand there are numerous manufacturing risks located in the interior, the owners of which are residents of San Francisco. The excuse for placing the latter class of risks in this city, is that these men desire to know with whom they are transacting their business and prefer dealing with the brokers handling their city risks.

I believe there should be mutual concessions; and if the new board, to which our President has referred, could make a compact with the local agents throughout the Coast, conceding them the right to control the business in their respective localities on condition that every company should have a representative (if desired) in

every town. I have not had much trouble recently in locating my companies, but there was a time, when I was manager of other companies, that I could not find an agent in some towns. I went to Sacramento fifteen times to place the Liberty Insurance Company; under such circumstances, do you suppose that I would refuse a first-class Sacramento risk offered over the counter? I would take as many as I could get!

Mr. Sexton—Mr. President, I think Mr. Grim did not propose in his paper to refuse to write business in an outside city, but he did propose to refuse to write over the head of the agent. We have a right to write where we have no agent in a place; but where we have an agent, it would only be proper to let him write the business.

The President—I believe the paper went a little further. Mr. Watt stated the proposition as laid down in the paper, that it was not judicious to accept business over one's counter in San Francisco, from a point where that office has a representative; and further, that in outside towns generally, where we do not consider it wise to establish agencies, it could not be looked upon as a desirable business. I fully agree with Mr. Watt's remarks. I believe that in matters of this kind there should be mutual concessions from the office to the agent, and from the agent to the office.

Mr. Watt—A short time ago, there was quite a flurry over the fact that the risk of the Fredericksburg Brewery of San Jose was being placed in San Francisco; and among other officers charged with writing it contrary to the rules of the Board was our good friend Mr. Herold, manager of the Hamburg-Bremen. He justified himself by saying that he could find no agent in San Jose; on which account he accepted the business over the counter here. The agitation over that matter resulted in his securing a good agent there.

Mr. George F. Grant—I believe country business should not be received through a city broker. Of course it is to a certain extent a practice, and we have to look at the cause of that practice. Years ago, before there were fire departments and water supplies, in towns which were then villages, there were no local agents. The merchants sought protection through the houses where their goods were pur-

chased, and the San Francisco merchant at that time sought policies from three or four brokers only. Their favorite broker built up a business in that way, which, to him, was a profit, and sometimes a larger net profit than enjoyed by the company issuing the policy. It was a very difficult thing to cut off the profit of a broker. It was tried to a certain extent fifteen years ago, and from that day to this the broker has gradually lost his country business. I think the time has come when we can safely say that it is right that he should lose it all. The villages having grown to towns, and some of the towns having grown to cities, the local agents in cities are earning their entire living from fire insurance, and it is only right and proper, it seems to me, that we should recognize that to them alone should come the revenue of the commission on the business of their own city. The broker, in the meantime, sought the advantage of being called a paid solicitor, or has also been created a city agent; and instead of the modest ten per cent., which he one time did receive, he now receives much more; perhaps three times as much. He can easily afford to give up his hold on the country premiums.

Aside from that, in the last twelve months, we have encouraged local board organizations all over the Pacific Coast; and you will find in the constitution a right, or agreement, by which the office in San Francisco is requested to agree that the manager will not receive or allow to be received over the counter in San Francisco, any country business. A large majority of the offices have agreed to this. In fact, I do not know as there are many who do not agree to it. Of course, the small percentage will ever be a friction; and if we could have a mutual agreement, as suggested in the paper of Mr. Grim whereby all offices will hereafter decline to write through the city broker a country risk, I think we will have made a great long step in a very good direction.

Mr. Gilcrest—From a traveling man's standpoint, I am decidedly opposed to writing business over the counter. We are frequently met with the question from a local with whom we are wishing to place our company, "What is the use of my taking your company, when the largest risks in our district are written over your counter?"



Again, I am met with the statement from the local that they have had a fire there, and he adds, "I was glad that such a company wrote the risk over the counter in the city, it being no benefit to their local agent." It seems to me that if there should be a reorganization of our union, that there should be some law made whereby this thing would be regulated. The local agent should, at least, get a portion of the commission, and be interested in the matter for what he can get out of it. For instance, take a mining plant up in the mountains, where the owners are living here in the city. They desire to do the business here with people with whom they are acquainted; which is natural. If the matter is left with the agent up in the district, in case the mines give out, or if, in the meantime, the property should depreciate, and the hazard is increased, the local knows it. He not only knows it, but if he is interested in it he will interest himself for the benefit of his company; and it seems to me that he should have a share in that commission.

Mr. Parkhurst—As I frequently come in contact with the local agents and local boards in the North, I would like to say that the local agents of the company generally feel that in representing their companies they have certain rights which should be mutual with the company; and when they see certain risks being written in San Francisco, they feel, to a certain extent, a loss of interest in that particular risk. They feel that in maintaining their office expenses, and other items that they have to contend with in their particular sections, that they should have some recognition. I therefore agree with Mr. Watt, that there should and could be concessions on each side, which would be beneficial to all.

Mr. Watt—This is very interesting to me, Mr. Chairman, I have bestowed as much thought upon it as upon any other part of our business, and while I am fully in accord with the principles laid down in Mr. Grim's paper, when we come to the practical application of them, we find the difficulty. Where we take one outside risk from a broker, we take a large number from other companies, principally by way of reinsurance.

The local agents probably suffer as much from one local agent in the community coralling and writing in his own companies the entire line on a large risk, his companies reinsuring the excess in San Francisco as from the San Francisco broker. If companies only carried their own net lines such risks would be divided among the local agents where the risk is located. As far as my office is concerned, we have three classifications of business: local, which is purely San Francisco; city-country, which is counter business outside of San Francisco, and sub-agency (?). Our city-country business is large and is almost wholly re-insurance of other companies, and covers risks located outside of San Francisco.

Another difficulty occurs to my mind; viz., who has the rightful claim to a risk located halfway between San Jose and Los Gatos, or to illustrate, to what agencies does the Port Blakely Mills belong? Does it belong to Port Townsend, to Seattle or to Tacoma? These are difficulties which come up when you try to apply a rule. Any rule or agreement arrived at, would necessarily apply only to risks located within the limits of the particular town in question.

Mr. Folger—I am of the impression that it would be impracticable to limit the proposition that business should be placed where it exists, to the corporate limits of a particular manufacturing town, in cases of special hazards. On the Pacific Coast it never has been done, and probably no one here believes it will be done. For example, in Oregon city there is a mill which is owned by people in Portland, and the risk is placed by them in Portland. Under the Oregon State law, which requires a large deposit and excessive fees per annum, a limited number of companies did business in Portland eight or ten years ago, and at that time it was impossible to secure sufficient insurance to cover the woolen mill. It was customary, however, to place the business through one agency; and the surplus insurance was obtained in San Francisco, presumably through the principal of that Portland agent. The companies accepting the surplus line, it is true, were not doing business in Portland, or in Oregon at all; and under the suggestions made by Mr. Watt and Mr. Sexton, it would be in order for such companies to suffer the loss of the

business. The Oregon agents would, however, probably claim that they were entitled to the commission, which they have never received.

The Portland General Electric Company has its plant located at Oregon City, but it is really a Portland concern, and is operated from there. Within a few months they have made a new rule, precluding any agent in Portland from accepting or writing for them a larger line than he can write in his own companies. Most of such lines are written on printed forms. Where they are not, there is always danger that through the number of agencies, the variations in form will increase every few years, and it will sometimes be so with printed forms. I had occasion to take one line in Portland, two weeks ago, where the printed form had been used two years. By reason of changes in brick buildings, not strictly in accordance with the rules, the compact required that the form of three policies should be altered. It was overlooked by the examiners and by the agents, that the changes on three policies, out of a large number would create non-concurrence, on the theory that it might disappear after one year. There were serious objections to that course, and I sought to secure some arrangement by which all the policies should be made concurrent at once. This would be avoided if all policies were placed by one agency, but I do not wish to be understood as favoring that course.

The question was raised of the right of agents, in the territory in the Northwest, to write all their business in their own towns; but you will be interested to learn that the seven members appointed at the first meeting of the Northwest Insurance Association to prepare resolutions, were not able to agree upon a resolution, which would require that agents in every town should write business in no other town; and that, while the Spokane agent was most profuse in his claims that the Spokane agent had been injured by the Portland agents, he fell down at once, when he was reminded that in Spokane he was writing risks not more than twenty or thirty miles away, and receiving the entire commission. I endeavored to have the committee recommend that the commission be divided in such instances, but that was not supported. The concessions spoken of are neces-

sary, but they must be mutual; and I am of opinion that if a rule be adopted discouraging the writing of country business over the counter, or writing business over the heads of agents, then the companies must make further concessions than they seem willing to make. It may then be possible that the company which is unable to obtain an agent in a particular town may have to refuse business in that town.

The Chairman—I think we should all be satisfied with the extended discussion on the very able paper of Mr. Grim.

On motion, duly seconded, the Association adjourned until two o'clock P. M.





## AFTERNOON SESSION.

2 O'CLOCK.

The Chairman—Before proceeding with the regular order of business, I have a communication to read to you from Mr. Lockey, of Helena, a regular member of the Association. (Reads:)

Louis Weinmann: Secretary The Fire Underwriters' Association of the Pacific, San Francisco, Cal.

Dear Sir:—

I fully intended to be present at the twentieth annual meeting of the Association, and was arranging my affairs so that I might be with you, but now I find it necessary to visit Denver and can not do so. I know that you will have a most enjoyable time and desire to extend my best wishes to all.

Sincerely,

R. LOCKEY.

From Mr. John B. Fogarty, who promised a paper for this meeting, and who has laid himself liable to a penalty for his neglect, I have received the following telegram. (Reads:)

Phillipsburg, Mont., Feb. 12, 1896.

V. C. Driffield: Manager Transatlantic Ins. Co., 213 Sansome St., San Francisco.

Procrastination fatal, temperature ten below, ideas frozen. Please excuse me.

FOGARTY.

Mr. A. W. Thornton, who is down upon the programme for a paper, has sent a telegram stating that the paper will be here, but that he will not arrive until Tuesday noon. He may come in during the afternoon session. We will, therefore, pass the reading of his paper for the present.

We will have now the pleasure of listening to Mr. Leslie Bates; subject, "A Plea for Local Board Organizations."

(Mr. Bates came forward and read his paper, which was received with applause.)

### A PLEA FOR LOCAL BOARD ORGANIZATIONS.

There is no question but that every underwriter on the Pacific Coast, from the local agent to the manager, has awakened to the fact that it is much easier to disrupt than to restore; and to the public at large, who, while freely taking advantage of the ruinous concessions offered by the insurance companies, realized the absurdity of the same, it has been a continual source of surprise that a business requiring such enormous capital and resource as that of insurance should have been so easily plunged into the depths to which it has descended during the past twelve months, in this field, without stay or hindrance on the part of the one most affected—the local agent.

There is no doubt that the reason for this anomalous condition lies in the fact that in the past the local agent in this department has not been in sympathy with the Pacific Insurance Union, a body which, while it claimed to protect him in the matter of uniform rates, also claimed jurisdiction over every official act of his, however trivial it might be, and under an arbitrary system absolutely controlled every incidental feature of the business, leaving the agent nothing to say as to the conduct of his affairs and reducing him to the position of a mere solicitor.

Having no greater aim in life than the procurement of risks, and coming into frequent collision with the rules and regulations of the governing and distant body of which he was not a member, and having no local organization to sustain him in a proper observance of the ethics, his energies were expended as much against his fellows as in favor of himself. Having therefore no professional pride to sustain him, when the trial of his strength came, he was found wanting, and the result was the instant and complete demoralization of the business wherever the rate war was pushed.

Had the agents in this State taken the same determined stand in the formation of local boards at the inception of the breaking of the Compact, as was taken by the agents throughout the whole Northwest, in all probability the books for the year just closed would have shown a very different result in the proportion of premium income to liability assumed, and in lieu of a condition of utter helplessness and of mutual distrust, which has proven so prejudicial to their own interest and that of the companies represented by them, the agents through their boards would have early restored order in their districts, and brought themselves before their companies and the public as men mindful of the great responsibilities resting upon them.

Under a central governing body, controlling every detail of the business, the local agent cannot but deteriorate, through lack of mental exercise in the conduct of his business. He becomes but a machine, and there being no unanimity of action between him and his confreres, his hand is like that of the Ishmaelite—against everybody. The position of being a good solicitor

may be all very well in its way, but every man should have greater aspirations than the mere getting of risks and of building up a premium income.

#### GIVE THE LOCAL AGENT A CHANCE.

Put the local agent on the basis that he is presumed, by his principals, to have, and to use judgment and discretion in the conduct of his agency, and that he is something more than an automaton, and he will begin to develop into that class of agent most desirable for a company to have—an agent who works for the good results to his company rather than a mere solicitor working for his commission.

As an individual he may be able to do great things toward perfecting himself in his profession, but in a local board he will have a broader field, being able to assist in determining rules of action for the proper government of the business in which he is so important a factor, and by being in the position of being able to demand recognition on points vital to his interests.

There can be no better way of education than in allowing the agent the right to control his acts, always provided, however, that he does not trespass on the rights of others; and no better method can be found of determining the limits of such rights, than in the organization of the local board, so that the rights of all may be the rights of each. Given the local board, and the right of self government, the agent will acquire a proper independence and a greater respect for himself and for the higher authority of the general board. A man who holds respect for himself, will hold respect for that work in life to which he has devoted his aims, and having respect for his work and in himself he will surely win the respect of the insuring public.

Owing to methods in vogue for some years past our profession has certainly lost caste with the public at large; and the time is now propitious for a reversal of the verdict.

Let the agents unite in their respective towns for their common protection, let them be induced to control themselves in all matters not absolutely the province of the companies, let them stand as a unit in the observance of their local rules, and a class of agents will evolve who will in all truth be the "back bone" of the business, and the probability of a repetition of the last disturbance will be reduced to a minimum, if not to an impossibility.

If the recent painful experiences on this Coast do no more than stimulate the formation of local boards throughout this department, a great good will have been accomplished in tending to elevate the agency force by making the agent more self-reliant and in promoting an educational system which must redound to the benefit of all concerned.

LESLIE BATES.

The Chairman—You have heard the paper of our friend Bates, who so ably champions the cause of local board organizations; and

as he has served both as a local agent and as a field man, he speaks from a vast amount of experience.

The subject of local boards has been touched upon in the annual address of the President, and it is apparent that the views expressed by Mr. Bates, and those which are felt by himself, do not entirely agree. I presume that other members will feel that the subject is one that should be discussed. We will be pleased to hear from anyone.

(After pausing.) As there seems to be no disposition to discuss the question of Local Board Organizations, we will now proceed with our next number, a paper entitled "Non-Cancellation Clause," by A. W. Thornton. Mr. Thornton has not yet arrived, I see, and I therefore suggest the postponement of the reading of that paper and that we proceed to the following number, "The Suggestions of a Newspaper Man." It is a brief paper, provided by Mr. Harry Bigelow, of the *San Francisco News Letter*, at my request. Mr. Bigelow, as you probably know, is the son of one of the original framers of our present organization, Mr. H. H. Bigelow. I have received a letter from Mr. Bigelow, expressing his regret at his inability to attend the meeting of the Association.

(Here the Secretary reads the paper of Mr. Bigelow.)

#### A SUGGESTION OF A NEWSPAPER MAN.

As an outsider and a newspaper man I have always enjoyed beyond measure, the happy, prosperous, generous manners of the insurance man, especially when compared with those engaged in other branches of the commercial world.

To my mind, insurance is as much a profession as the law—of course there is the inevitable cry of "finance" from the multitude; but, nevertheless, as old Prince de Talleyrand said: "Finance is more of a profession than the art of war." And the insurance business has reminded me so many times that it is one of the highest of the professions that I place it half way between the newspaper and the diplomatic.

The underwriter is not a mere banker; and he subordinates finance to his diversified arts. For instance, he must possess the shrewdness of a successful real estate dealer, the calculating and measuring genius of an architect, the commercial discrimination of a clever merchant; and last but not least, that wit, grace and suavity of manner which renders him akin, in my mind, most undoubtedly, to the ambassador and the newspaper man.



All three must possess the same arts, and all three seem of the one profession to the discerning mind.

And yet there is only one favor which the underwriters have not given to the third member of this trinity—the newspaper man; that is, they have never established an assurance corporation for the benefit of lost manuscripts. Think how delightful and simple it would be for Mr. Ned Hamilton, the eminent journalist, to be able to enter the office of Mr. Driffield or Mr. Watt and state that as he was about to send a long manuscript novel to Mr. Gilder of the *Century* for submission, he desired to insure it against fire or waste basket for sixty or ninety days. How simple and how perfect a solution of a writer's woes, to find that at a certain estimated premium he might be fortified against half of his anxiety and of his anticipatory fears.

Therefore, in the name of these three sister professions I join with the newspaper men in asking from you gentlemen of the underwriters, this long looked for reformation.

HENRY D. BIGELOW.

The Chairman—The paper furnished by Mr. Bigelow is not as lengthy nor as discursive as I thought it might have been, and it has evidently been written rapidly, in order to comply with the request. As the paper needs no discussion, we will proceed immediately with Mr. Thornton's paper as I see that he has arrived. It is with pleasure that I call upon Mr. Thornton to read upon the "Non-Cancellation Clause."

(Here Mr. Thornton came forward, and his number was received with great applause.)

#### THE NON-CANCELLATION CLAUSE.

About a year ago inducements, more enticing than usual, were offered insurers to secure their business, and the consequence was that the then existing policies were canceled and written at reduced rates. But the agents who lost business started on the war path to get it back, and went the other fellow "one better." Policies were again canceled and written at even lower rates. To prevent this total demoralization of the business, and to force an insurer to retain a policy when written at a rate satisfactory to him, the non-cancellation clause was adopted.

This was originally an agreement which the insured signed, stipulating that, in consideration of so much return premium, he agreed not to cancel the policy without the consent of the company. The form was afterwards changed, and instead of an agreement which the assured entered into over his own signature, the clause was generally inserted in the policy with a rubber stamp, and stated that, in consideration of the reduced rate at which the insurance was written, the right of cancellation conferred upon

the insured in the printed portion of the policy *or otherwise* was waived and revoked.

#### LEGALITY OF THE CLAUSE.

It has been questioned if this form of agreement be legal, and if a policyholder can waive his right to cancel and his claim for the return premium on his policy. Many misunderstandings have arisen over the adjudication of the case brought by Manager A. E. Magill against a policyholder in Alameda county. We understand the Court then held that an indorsement or condition of a policy made with a rubber stamp was binding and legal; and Mr. Magill secured a judgment against the policyholder for the amount of the premium. This was a decision of a Superior Court, and it has been argued that, had the case been appealed, the decision would have been reversed. The ground for this argument is the Civil Code of California, section 2617, which reads:—

“A person insured is entitled to return of premium as follows: 1.—To the whole premium, if no part of his interest in the thing insured be exposed to any of the perils insured against. 2.—When the insurance is made for a definite period of time, and the insured surrenders his policy, to such proportion of the premium as corresponds with the unexpired time, after deducting from the whole premium any claim for loss or damage under the policy which has previously accrued.”

(And let me ask in parenthesis if you have ever studied the last two lines of the above. It is simply nonsense.)

This is our law as we find it, and apparently an insurer may collect return premium under the conditions set forth. But look at section 3268 of the Civil Code, wherein it says:—

“Except where it is otherwise declared, the provisions of the foregoing fifteen titles of this part, in respect to the rights and obligations of parties to contracts, are subordinate to the intention of the parties, when ascertained in the manner prescribed by the Chapter on the Interpretation of Contracts; *and the benefit thereof may be waived by any party entitled thereto, unless such waiver would be against public policy.*”

#### WAIVER.

Thus we see that an insurer may waive the right given him in section 2617, for none of us would say that such waiver would be against public policy,—without saying anything about the assured's particular *policy*. Why, we scarcely ever issue a contract of indemnity that we do not waive the right given companies under our laws: Refer again to the Civil Code, section 2616 and read:—

“An insurer is entitled to the payment of premium as soon as the thing insured is exposed to the peril insured against.”

Do we get our premiums as the law says we should? No; we waive what we are “entitled” to, and so may the policyholder waive the return premium which he may be “entitled” to.

In the case of Kirby vs. Phoenix Ins. Co. (13 Tenn. 340) it was held "the stipulation that in case of cancellation the unearned premiums shall be refunded, is for the benefit of the assured and *he may waive it.*"

But can the assured waive his right to cancel his contract, even though, as we have seen, he may waive the return of the unearned premium? Suppose Dick Smith has been coaxed and cajoled into taking a policy bearing the non-cancellation clause in the Never-pay-a-cent-if-you-can-help-it Fire Insurance Company of Skookumchuck, Wash., and he afterwards discovers that the company is on the verge of bankruptcy, its paper is protested, and the party from whom he wishes to secure a loan refuses to accept the company as security; is Dick Smith prevented from securing proper indemnity, and can he not destroy his policy or cancel it by returning it to the company with the statement that he desires to surrender and cancel it without any return of unearned premium? Suppose after doing so he secures other insurance in a substantial company and that his property burns; could the second company claim forfeiture on the grounds of other insurance without notice? Or could it force a contribution by the first company, claiming it to be "other insurance whether valid or void?" Certainly not! The first contract is canceled and therefore cannot be other insurance. What is the California law on the subject?

"Section 1699. The destruction or cancellation of a written contract, or of the signature of the parties liable thereon, with intent to extinguish the obligation thereof, extinguishes it as to all the parties consenting to the act."

"Section 1700. The intentional destruction, cancellation, or material alteration of a written contract, by a party entitled to any benefit under it, or with his consent, extinguishes all the executory obligations of the contract in his favor, against parties who do not consent to the act."

It would seem, therefore, that the assured may waive his right to return premium, but he cannot be deprived of his right to cancel the contract. Nor do the companies desire to prevent him from so doing.

#### A DANGEROUS CLAUSE.

But the non-cancellation clause is a double-barreled, back-actioned, swivel-jointed affair,—the extra barrel and the back-action having been added to protect (?) the "poor, innocent public" who were suffering by the insurance rate war and by the advantage the companies were taking in inserting a waiver of return premium in the policies. This protective part pretends to stipulate that the company issuing the policy will not cancel it. Of course there are many strings to this agreement,—such as, "the company agrees not to cancel on account of increase in rates," or "for the purpose of securing an additional rate," or "except some additional hazard be added to the risk," etc., etc. The different loop-holes are legion.

Did you ever give your five year old boy a six-shooter and a bowie-knife to play with? These are harmless toys in a boy's hands as compared



with the second section of the non-cancellation clause in the hands of some agents.

But is this agreement indorsed on a policy by an agent or manager binding on the company?

And is it wise to enter into such an agreement, even if it be legal?

To the second question we emphatically answer "No." It is not advisable to permit an agent to use his option and discretion as to the risks on which he irrevocably binds the company, nor to allow him to fix the rates and lines beyond possible control. Think of an agent in Los Angeles, or any other place, writing \$100,000 on a stock of gasoline at a rate of ten cents, giving as an excuse for so doing that the assured had a nice dwelling and if he did not write the gasoline at a low rate he would not get the dwelling! Think of the impossibility of canceling or obtaining reinsurance!! And, worse still, think of your field man killing that agent on his next visit!!!

#### NEW YORK STANDARD FORM OF POLICY.

As to the legality of this agreement not to cancel a policy, let us refer to the New York standard form, where we find the following language:

"No officer, agent or other representative of this company shall have power to waive any provision or condition of this policy except such as by the terms of this policy may be the subject of agreement indorsed hereon or added hereto."

There is no ambiguity in the above, and all agents who issue policies containing that sentence (as all New York standard policies do) and who attach to the policies agreements not to cancel, deceive the insurers and exceed the authority conferred upon them as agents.

Of course there are a few companies (but very few) which issue policies giving the managers power to waive the conditions thereof. Such managers as a rule hold powers of attorney from the companies they represent, and consequently may issue any form of contract they choose. An argument touching on the legality of the question in hand does not apply to such cases.

On referring to the provisions of the New York standard form we find that an agent may, by agreement indorsed on the policy as provided for, waive the company's right to claim forfeiture on account of other insurance, or on account of chattel mortgage, or on account of vacancy, foreclosure proceedings, title, interest, assignment of policy, etc., etc. But he cannot make the company liable for loss caused by invasion, insurrection, riot or civil war, or by theft; nor can he agree to continue a policy in force after the building insured thereunder has fallen, except it fall as the result of fire. Nor can he waive the company's right to cancel, for the policy says,— "This policy shall be canceled at any time by the company by giving five days' notice of such cancellation;" and there is nothing in this condition which can possibly be construed as "a subject of agreement which may be indorsed hereon or added hereto."



## LEGAL DECISIONS.

Judge Andrews of the Supreme Court of New York said, in relation to this subject:—"Where the restrictions upon an agent's authority appear in the policy and there is no evidence to show that his powers have been enlarged, there seems to be no good reason why the authority expressed should not be regarded as the measure of his power."

In the case of *Quinlan v. Providence Washington Ins. Co.* (133 N. Y. 365. 31 N. East. Rep. 31. 21 Ins. L. J. 650) it was held:—"Insured is bound by limitation on agent's authority as imposed by the New York standard form; after issue and acceptance of the policy waiver can be evidenced only in writing as prescribed, unless power of agent as expressed in the policy has been enlarged by usage of the company, its course of business or by its consent express or implied. Immaterial whether the insured has read the policy or not."

In *Gould v. Dwelling House Ins. Co.* (90 Mich. 302. 21 Ins. L. J. 328) the Supreme Court distinctly says that "a provision plainly printed upon the face of the policy, that no officer, agent or other representative of the company shall have power to waive any of its provisions, *is valid and binding on the insured.*"

Again we find a New Jersey decision as follows:—"Clause in policy providing that waiver must be in writing by officers, and no agent has power to change or alter terms, etc., applies only to those conditions which relate to the formation and *continuance of the contract*, and not to conditions which become operative after a loss and precedent to right to sue." (*Carson v. Jersey City I. Co.*)

The State of New York also comes into line, its Supreme Court deciding that "the President of an insurance company, as such, has no power to dispense with the condition of a policy." (*McEvers v. Lawrence* 1 Hoffman Ch. 172 N. Y.)

## WAIVER.

As we are aware, Minnesota adopted the standard form of policy exactly the same as New York, and the Supreme Court of that State agrees with the decisions already quoted, for in the case of *Wilkins v. State Ins. Co.* (43 Minn. 177, 20 Ins. L. J. 478) we find the following language:—

"Waiver of a condition in a policy of insurance by a local agent, where the policy itself provides that none of its terms can be waived by any one except the Secretary, *is not valid*, as the policy is *notice of his lack of authority to make the waiver.*"

Agents say: "If it is right for the insured to waive cancellation it is right for the company to do so also." To this we would say that the assured acts for himself, and is the principal to the contract he makes, and he cannot under any circumstances lose more than the amount of his return premium at the time he desires to cancel. On the other hand the agent makes contracts for companies which limit his agency authority, and, were

he permitted to estop the company from revoking its contracts at pleasure, the damage to the company would be incalculable.

How can the company's right to cancel be waived? Only by the action of its board of directors.

#### NON-CANCELLATION CLAUSE AND REINSURANCE.

How does the non-cancellation clause effect reinsurance policies? If the reinsured company has in its policy a waiver of the insured's right to return premium, does such waiver apply as between the companies, under the reinsurance clause which reads—"this policy is subject to the same risks, valuations, conditions and endorsements, etc., etc."? Instances have arisen where the reinsurer refused to pay the reinsured company its proportion of return premium on the conditions above stated. This seems to be an error, for the reinsured company, by paying the assured a return premium, waived the non-cancellation clause, and the reinsurers being subject to the same conditions, endorsements, etc., must pay their proportion of return premium.

The double-edged part of the agreement being illegal and void, cannot bind the reinsured company, much less the reinsurer.

A. W. THORNTON.

The Chairman—It is quite evident that Mr. Thornton has given very careful consideration to the subject under review. We have all had our trials with relation to these non-cancellation clauses. I presume we have most of us taken advice as to the legality of the same, and I think it would be in order for some of the gentlemen present to relate some of their experiences upon the subject, during the recent demoralization. Mr. Grant, will you give us the benefit of your ideas?

H. M. Grant—My ideas are simply in common with all, that we will simply abide by the non-cancellation clauses. I think there is a great deal of meat in Mr. Thornton's paper, and I think he is quite right. I would say that it is only by grace that we respect that non-cancellation clause. A company agrees not to increase the rate, and the assured agrees not to cancel, in consideration of the low rate given. That is exactly what is arrived at by the non-cancellation clause or agreement. In some degree it gets around the waiver clause. We say to the insured, "For a low rate, and in consideration of this, we do not want you to go afterwards to some other company." He, in return, says, "Very well; don't you in-

crease the rate." We enter into a mutual agreement therefore, which is not contained in the printed contract. I think really that is the only form of cancellation clause that we should use: simply that in effect "We will not increase the rate, and you, in return, will not ask us to take up this policy, and take another in another company, which will underbid us." I am not prepared to say that such a form of non-cancellation is not still within the arguments suggested by Mr. Thornton's paper.

Mr. Argall—I recently took occasion to speak to an attorney and asked him whether we could cancel a policy containing a non-cancellation clause for non-payment of premium, and he told me that, in his opinion, the only way to cancel would be to pay assured the return premium, which would have been recoverable, had the original premium been paid.

Mr. Thornton—I think our law is very clear on that point. I don't think there would be any difficulty in cancelling the policy for non-payment of premium due, even though that clause were in the policy.

The Chairman—I think he must be in the position that he was prior to the interpolation of the subsequent agreement. I think the insertion of that clause makes no difference, as to the legal power of the company to cancel for non-payment of premium. We have had various clauses presented to us, and some of them doubled-headed, which gave everything to the insured; but the one which met the approval of the proponents of the question was the one that provided that, in consideration of the reduction of that rate, the insured should not cancel the policy, nor should the company increase the rate.

Mr. Argall—It seems to me you are going round the point, and allowing the company to say whether the contract is a live one or a dead one; and the point of my legal friend, that you waive your right of doing that when you give credit under a policy containing a non-cancellation clause as against the company.

Mr. H. M. Grant—I think the clause which is generally accepted is that the company agrees not to cancel this policy except for

increased hazard; and in case of increased premium, the insured does not waive his right to cancel, where you increased it without there being any increased hazard. There was one form in use, that we agreed not to increase the rate; the consideration would be that the assured agreed, in consideration of the reduced rate of premium, not to cancel his policy; or, still better, that he waives his right to return premiums, and that the company agrees that they will not increase the rate. All the insured wants to know is that the company will not increase the rate. But if the company say they will not cancel the policy, except for increased hazard, it seems to me that ties the policy up. The point still has to be tested.

The Chairman—I can see that I misstated the general disposition on the part of the fraternity in the matter of the application of this non-cancellation clause. Mr. Grant has expressed the views that I meant to convey absolutely. I did not intend to convey the idea which I did, that a double-headed cancellation clause was acceptable. I did intend to convey that the companies seemed to prefer that clause, which provided that the assured, in consideration of his reduced rate, should waive his cancellation, and that the companies should not increase the rate, except when additional hazard was added to the risk; not that the company waive the right of cancellation.

Mr. Thornton—Although they may waive their right to cancellation on account of increased rate, I think the assured can cancel it without giving any reason. I think there are a number of decisions sustaining that theory.

Mr. Folger—Mr. Thornton's legal decisions are given in full, but I do not think the position which he takes is sustained, except in one or two States that he names specifically. The impression I have is, that the courts of last resort in those States have been very strong in sustaining the policy as originally written; for the reason that that particular policy form—the New York standard policy form as it is called—is a part of the statutes of those States. Whether the assured have read the form or not, it is part of the law of the



State; and this being so, it is impossible to waive the provisions of that contract as the provisions of ordinary business contracts are, and may be, waived. I am of the impression that on careful search we may find that the decisions of those States are of somewhat different character from those we have in California. Where a clause is inserted agreeing not to cancel the policy except on certain conditions, I have serious doubts whether that policy could be cancelled by a company in this State contrary to the agreement.

Mr. D. A. Spencer—I know we had a case decided by the Supreme Court of Oregon last year, in which the Supreme Court says in terms, as I understand it, that the agent of the company under the New York standard, cannot waive the conditions of the policy; that he can go no further than the power granted him by his commission, and the conditions stated in the policy. I think that is the condition in one of the States.

The Chairman—Your contention bears out the views of Mr. Thornton.

Mr. Gilcrest—I believe the usual form that has been used for this non-cancellation is where the company agrees as follows: "And this company hereby agrees not to raise the rate unless they increase the hazard." That says nothing about the right to cancel, and we still have the right to cancel for any reason that we see fit, and that is the form that we have used, and I believe it is the form generally used, which does not interfere with our right to cancel.

Mr. Kinne—I understand it that the agreement on the part of the insured is that he will not cancel because he has obtained the goods below cost, and it is a moral obligation on the part of the company, that they will not raise the rate.

The Chairman—We will now proceed with the reading of the next paper on the programme, entitled "Inspections," by Mr. J. H. Morrow, which will be read by Mr. L. A. Wright.

(Mr. Wright here came forward and read Mr. Morrow's paper, which was received with applause.)

## INSPECTIONS.

Quantity without quality would be a poor investment for an insurance company. For the time-being luck might be on the side of quantity, but for the time-being only, if even so long. The company which resolutely subordinates quantity to quality is sure to be the gainer in the long run, and it is in this respect that the special agent, in the performance of his field duties, can render his company signal service. Upon him devolves the duty of inspecting the business upon the company's books; how in a general way he shall discharge this duty is the theme to which I invite your attention.

Inspecting, without doubt, is the most trying regular duty which the special has to perform. But there should be consolation to him in the knowledge that in no other direction can his services be made to prove more profitable to his company. When it is remembered that a single loss may more than wipe out the premium receipts from an agency for an entire year, the elimination from the books, through his efforts, of an undesirable risk is of much significance. Instances are numerous of specials having averted heavy losses by the cancellation of policies on property which on inspection proved hazardous beyond correction.

## CANCELLATIONS.

I have used the phrase "hazardous beyond correction" advisedly, for I do not wish to convey the idea that the sequel of the condemnation of a risk should necessarily be cancellation. Indeed, cancellation of a policy should be the last resort, and should indicate either conditions beyond immediate and satisfactory remedy, or unwillingness on the part of the assured to comply with proper request for improvement. While there should be no temporizing with danger, it should be borne in mind that premiums come too hard to be arbitrarily relinquished; certainly, if without jeopardizing the interests of the company they can be retained by appeals to the common sense and business prudence of the assured, every effort to that end should be put forth. It would be a most unfortunate thing for a special to labor under the impression that evidence of his zeal in making inspections depended upon the number of cancellations reported by him. The power to cancel involves great responsibility. It should be exercised intelligently and discriminatingly, but most certainly exercised whenever there is an honest doubt as to the advisability of continuing insurance on a given risk. The controlling aim of the special in inspecting the business of an agency should not be what short-comings he can report to his manager in evidence of his earnestness, but rather what degree of security his company's business is left in as the result of his labors. Security is the one thing to be sought, and if a special can conscientiously and intelligently O. K. every dollar of liability in an agency he is rendering his general agent and his company the very best possible service.

## THE LOCAL AGENT.

Thus far I have had little to say respecting the local agent, but it is not because he does not count as a factor in the inspection problem. Indeed, he counts as a very large factor. As to his efforts the company is chiefly indebted for the business upon its books from his locality, so upon a continuance of his good will and zealous representation must the company depend for future business so long as he holds its commission. Hence, for the special to ignore the local in making inspections, or to wound his pride by injudicious criticism or reckless condemnation, would be to commit a serious and perhaps irreparable blunder. The local should feel, and, if he does not so feel, should be made to feel, that he is as truly and dignifiedly a representative of his company as any one connected with it, and so being he should be treated with the respect due one in his responsible position. He should understand that the special's inspections in no sense partake of the nature of espionage, but are in keeping with a business system which affects all localities alike; that his hearty co-operation is as earnestly desired in a personal examination of the business he has written as it was in first securing it; that the special's visit is as much in the line of consultation as of genial but business-like supervision. It never does for the special to act upon the assumption that he knows it all; however, should he discover that knowledge lies largely on his side, he will be wise if instead of revealing his discovery he quietly enters upon the task of imparting information that may subsequently bear good fruit to the company by the local's avoidance of past mistakes.

There are local agents in whose presence many a good special might stand with uncovered head. I have in mind a local who, until he decided to go into business for himself, was a most successful special. To-day he not only controls a handsome business, and has a goodly competence, but is a man of marked scholarly attainments. Yet so unassuming is he, so modest in his references to himself, that a special new to his field might easily underrate his abilities, and possibly be led into an arrogant assumption of his own superiority. Should such a thing happen I question what would be the result. But with all this local's experience I can safely say that I know of none who has on every occasion more graciously and earnestly co-operated with me in inspecting business in his own territory. We meet on terms of confidence, and I trust of mutual respect. Indeed, I do not hesitate to say that I have never visited his agency without going away from it richer than I came in respect to practical knowledge.

## PREPARATION FOR THE WORK.

I might enlarge at this point upon the importance to the special of preparation through observation and study for the work of inspection. Experience in connection with the work will help out largely in this direction. Yet there is nothing like giving the subject consideration in season and out of season, as can be done by observing new methods of building, examining advanced processes of manufacture, investigating the latest way of housing

stocks of merchandise, and carefully reading the newspapers which can always be depended upon to keep in touch with the progress of the age.

When the special goes forth to inspect he must to a degree assume the functions of an expert, and should be able to speak "by the card." In expounding the law, as he passes upon physical qualities or interprets the policy, he must be sure that he does not bring the law into disrepute by hastiness, carelessness or ignorance.

There are certain indirect results of inspection which may be briefly touched upon. First is the increased confidence of the assured in the company whose policy he holds. But to this end the assured must be properly approached. He must be made to realize that as his interests and those of the company are practically identical, so an inspection is equally to his advantage. I recall one case in particular where the owner of a large stock of goods was so pleased with the attention given his premises that he doubled the insurance he carried in the company represented. For he reasoned that a company so careful before a fire would be found not wanting in event of loss. A second indirect result is the advantage to the community in the improvement of the fire hazard effected by the carrying out of suggestions as to the removal of rubbish, the alteration of buildings, and the introduction of means of fighting flame. The safety of an entire town may be involved in the inspection of a single risk. Who is to know this? Certainly the thought of such a possibility should solace the special, as, after a day of wearisome inspecting, he at nightfall prepares to wash the grime from his hands and brush the cobwebs from his clothes before sitting down to dinner.

#### VALUES.

Before concluding a paper which I am afraid has been devoted too largely to truisms, I wish to say a word about inspections in relation to determining values. The moral hazard which lurks in over-insurance need not be especially dwelt upon. Over-insurance means temptation when broadly considered, and on general grounds and as a business principle is most sedulously guarded against by all companies. Yet instances of over-insurance occur in spite of every precaution, and without intentional disregard of principles on the part of the local. All underwriters know how prone human nature is to unconsciously over-estimate the worth of its own possessions; thus the judgment of conscientious locals may be imposed upon by the inflated statements of honest but bumptious applicants for insurance. And if over-insurance may be the result of statements made from a false sense of pride, how easily it may sometimes be effected through ignorance or design on the part of the assured. In detecting this over-valuation, and reducing the insurance below the danger line the special has an opportunity to prove himself most servicable. But even if there were no moral hazard involved a company owes it to itself to endeavor to see that the premium holds an honest relation to the value of the property insured. Certainly, nothing is more painful to a company than, in case of a total loss, to find that its policy is out of proportion by reason of excessive valuation.



Every act of the special which tends to save his company from avoidable loss, or to advance its reputation for honorable dealings in the eyes of the community, is in the line of duty, and in inspecting he certainly has brilliant opportunity afforded for compassing these ends.

J. H. MORROW.

The Chairman—Gentlemen, Mr. Morrow has treated a rather hackneyed subject with originality, and I trust that those present who care to speak on the subject will not hesitate to give their opinions.

Mr. Farnum—About four years ago, when I was new in the business—for I am not as old as I look—at which time I was very green, I recollect an occasion when our company sent me up to Copperopolis to inspect the risks which we had in that town. I arrived there about five or six o'clock in the evening, after a hard day's drive, and went to the hotel, where I found very poor accommodations. The ceiling was lined with cloth, and it wafted in the wind. I went to bed by the light of a candle, and there was much noise in the hotel that night by drunken men; probably miners working in the mines there. When I went down stairs in the morning I told the landlord I would like to see his policy. He had about five thousand dollars insurance, at about four per cent., and I finally mustered up courage enough to take up his policy and cancel it. I wrote the company, advising them that the risk was a very bad one. On my arrival at Sacramento, after leaving Copperopolis, I picked up the paper and saw that a fire had occurred in the latter place. On reading the account of it, I found that all the risks which we had in the town had burned up, except this hotel; and I believe that that building still stands. (Laughter.)

The Chairman—Mr. Andrew, you are an inspector of some experience, won't you give some of your experiences?

Mr. Andrew—I don't recall anything of interest. I think that all men who have been on the road have had similar experiences to Brother Farnum's. Sometimes you get the wrong one and sometimes you get the right one, but I think you can never go wrong in

cutting off hotels like that Mr. Farnum speaks of, even if it does not burn down.

Mr. Sexton—Mr. Chairman, in the old times, when inspectors were supposed to look into backyards, down stove-pipes and in ash-barrels, I went through Salt Lake, and among other buildings I inspected the Wahsatch building. The rate was only three per cent. at that time. There were timbers in that building, under the roof, large enough for a massive ship. I had the policy on that building cancelled, and we have lost nothing on it since, except the premiums for about twenty years at three per cent.

Mr. Gunnison—My experience has sometimes called out profanity from the insured. I remember one occasion when I went to examine a planing mill, and I said to the owner, "I think that smoke-stack is very dangerous." He said, "What do you mean, sir?" I said, "Well, that may set your roof afire some day. It is a little too near the shingles, in my opinion." He said, "I don't want anybody to tell me about my business. I think I know my business myself." I said, "Very well, but look here: It is my opinion that that roof has been afire already, and you did not know it. It looks to me as if those shingles had been charred, and if I am not mistaken there are ashes on the edge of that smoke-stack." He got red in the face, and became angry; but he at last concluded to go up there. He obtained a ladder, went up and took hold of the shingles around there, and sure enough, they crumbled up in his hands; and he said, "Well, I will be damned!"

Mr. Andrew—I now recall that I was in a town where lumber was high; rough lumber was worth \$50 a thousand, and finished \$90 per thousand. There was a great deal of cotton lining to rooms. I had one risk there, that *only* had thirteen stoves-pipes; some through windows, some through walls, and some through the roof. It was a large lodging house, and I think that many of the members of this Association have slept there. It was known as Mrs. Knight's lodging house. There was not a room with a board partition, it being cotton lined, and ceiled throughout. It eventually burned

down, but arson was committed in order to get it to burn, so I do not know that inspection would have done any good.

Mr. Mel—I have often visited the house spoken of, and on one of my visits there, I found another house on which I canceled the policy, and when the next fire occurred it was left standing.

The Chairman—There is no doubt that we have all had such experiences, and we have canceled dubious risks which are still standing to-day; but on the other hand, we very often O. K. risks which are the subjects of demoralizing fires within a very short period. I remember that during the conflagration, or *after* the conflagration at Bozeman, having settled one of the losses at that fire to the satisfaction of the local agent, he endeavored to show some appreciation of the way in which I had dealt with his patrons, by giving me a fine risk. A livery stable had been erected there, and he said, "Come around; I have got a nice line for you." I went around to the stable and found all apparently O. K. I insured the building, the hay, the horses, the wagon and the harnesses, and I went away thinking I had secured a very fair risk. My next stopping place was Missoula, and upon my arrival there, I found a telegram awaiting me, to the effect that the risk had burned, and asking me to return immediately to adjust the loss. As a matter of fact, our loss papers were received by the office at the same time as the daily report. So while of course there can be no under-estimate of the value of inspections, the conclusions that we arrive at may not always come to pass; at all events within the period of time that we give them.

Mr. Devlin, is down on the progame for the next article. In consequence of his inability to appear this afternoon, we will proceed with a paper interpolated by E. Niles, to be read by Mr. George Grant.

Mr. Grant—I have been asked to read a paper, "Thoughts of a Hired Man," written by Mr. Niles, and I willingly comply, for we all know that Mr. Niles never wrote a dull word. He has a happy way of expressing himself, and he has a capacity of thought which

makes his papers always interesting. (Reads paper of Mr. Niles, which was received with loud applause. No remarks.)

### THOUGHTS OF A HIRED MAN.

[When the honorable President of this Association stopped me on the street a few days ago and calmly informed me that I was expected to write an "article" to be read at this meeting, I told him that I didn't keep essays on tap, and that thought and study were needed, winding up with the usual excuse that I didn't have time. He replied, "A man can always find time to do anything he wants to," and added, "it is a *duty*!" That shed a new light on the subject and, being a slave to duty, I have hastily written a "few, unconsidered trifles" with the understanding that this is not an oration, sermon or anything more than the crude ideas of a plain, ordinary, hired man, put down on paper on the Sunday before the meeting, and as much below the level of a regulation "article," as the present rates are below the tariff of the good old days of yore.]

The past year's operations in fire insurance on this Coast, and especially in California, come under the head of profane history, judging from the free "cussing," verging at times on the picturesque, that has been indulged in by managing, special and local agents. As a relief to this dark and unholy background, the smiling assured cheerfully pocket their return premiums and join in the Shakesperean chorus: "What fools these mortals be."

Turning to sacred history, we are told that Solomon, reputed to have been the wisest man in the world (notwithstanding his extravagant ideas about the fair sex), in an age which knew nothing of electricity, cathode rays, the carbotic cure for consumption, compacts, kinetoscopes, and other dazzling discoveries, said "there is nothing new under the sun." If that venerable polygamist were living in this age he would probably be the president of the Jerusalem and Jaffa and Bethlehem Assurance Company Limited, and would recognize the newness of things by writing all of the synagogues in Palestine for three years at a sixty per cent. discount.

When the loaded elevator stuck midway between the third and fourth stories the ambitious amateur elocutionist at once said: "I will take advantage of the accident and will now recite 'Curfew shall not ring to-night!'" This seems like a similar opportunity of which I gladly avail myself for making a few queries and venturing a suggestion or two.

### IS THE ASSOCIATION NEEDED?

Of what use is this Association with its garnered wisdom, the fruits of twenty years' harvests, if it is to represent a business that cannot be run on business principles? Why are its meetings continued, and why do its members rack their sweating brains with the problems of lines, limits, adjustments, collections, forms, and all of the other details, if we are simp-



ly to be shipwrecked passengers on a leaking craft that once, with a sound hull, with wisdom at the prow and common sense at the helm, smoothly glided over a prosperous sea? Without any decided batrachian preferences I think "I would rather be a toad, and feed upon the vapors of a dungeon," than to always lead such an unsettled life.

If through the ambition, bad faith, vacuity or obstinacy of sundry and divers persons, concerning whom further the affiant sayeth not, the present demoralization is to continue, the sooner this society is disintegrated into its individual elements, the better for its members.

In that entertaining work, "The Curiosities of the Law," an exact copy of an affidavit is given in which the plaintiff says that, on a certain occasion, the defendant then and there said that he would "kick the said deponent to hell, and the deponent believes that he would do so." If the managers propose to continue that lurid kicking process as against the business it may be well for the rest of us who are left in the thinned ranks to gracefully withdraw before the Tartarean fires become our lasting portion.

However, "though plunged in ills and exercised in care, yet never let the noble mind despair."

Notwithstanding the vast losses caused by the break, it will be unfair to treat the subject with bitterness, and any recriminations will be ill advised. The cloud may have a silver lining, though at present prices there wouldn't be much in that, but, at any rate, there are lessons that have been painfully learned that in time may recoup all of the losses.

As there can be no effect without a cause, this hard experience has caused many to think who never thought seriously before. So far as the managers are concerned, it is only fair to say that they have had to deal with problems so complicated that an early and correct solution might puzzle a Newton or Laplace, and when the requirements in some cases have been to figure out a profit where the losses and expense ratios apparently exceeded the income, the enormous difficulties of their position will be evident. It appears that there are some managers who really believe that their companies are willing to continue the fight for an indefinite period on the principle that "we can stand it as long as they can." That may be true, but the expression savors more of bravado than of common sense. And there is always the possibility of some hard-headed Yankee or British director arising at a board meeting and saying: "Mr. President, or Mr. Chairman, I notice we are losing money on the Pacific Coast right along, and I move we reinsure and withdraw."

On the other hand, it must be remembered that, for all we know, there may be instructions from home offices so imperative and even snappy in tone that the patient manager or general agent must follow them exactly, even if against his ideas of justice, if he would "hold his job." Well, all of the hired men want to hold their jobs, *don't they*, especially in times like these?

"THAT TIRED FEELING."

It is unnecessary and even unkind to call attention to the figures of the Coast business of the different offices for last year. Guarded as our coun-

tenances may be, it is impossible to avoid smiling over some of the statistics, while others cause that "tired feeling," especially when we consider the appalling increase of liability and the shadowy enlargement of income in a few scattering cases. But why harrow up feelings? Let the dead past bury its dead and let them stay buried, *if they will*, until the long term policies expire.

By the way (and this is merely the suggestion of a laboring man), if the Monterey excursion fails to entirely fulfill its promise, I, for one, am willing not to refer to all of those good dinners, provided the local and special agents be given an equal chance to show what they can do. A committee of forty, say, made up of twenty locals and twenty specials, private car of course; Echo Mountain or Coronado! It would be an innovation, but there's no telling what short, sharp and decisive action would be taken.

This thought I would merely throw out and let it simmer.

The surprising feature of last year's business is the fact that there were not more fires, for never was a business more recklessly done. Long shots were freely backed and desperate chances taken. While there is no doubt that the so-called common people of this country are much in advance of the peasantry of Europe in education and intelligence, the fact remains that there is a stratum of ignorance that seems impenetrable on some points. Many insurers in the rural districts seem to have the idea that, owing to the cut rates, they are likely to be scalped on adjustments, and, consequently, they have been more careful not to burn. This is a strange anomaly, but true. This condition cannot last long, so may not be reckoned as a permanent factor.

The Italian proverb has it that "no flies get into a mouth which is tight closed," but at the risk of being bothered with flies I will venture a few prophecies.

Whatever plan may be first adopted for the future conduct of the business, eventually these points must be recognized:

"WE DON'T KNOW IT ALL."

We are clever people, but we don't know it all, and we can still learn from the Eastern men. I once thought that the Coast managers were the wisest insurance men in the world. They are, with few exceptions genial, charitable, well-equipped men of affairs, and if in the broader Eastern field would soon be among the leaders there, but their territory is narrow, in a sense of income and diversified hazards. There are Eastern methods that might be adopted on this Coast to our advantage. Our system of schedule rating was a great advance over former methods, but now it's not up to date. I am not sure but Moore's Universal Mercantile Schedule would be more equitable. Our system depended too much on the judgment of surveyors. The new compact mustn't attempt too much. The Pacific Insurance Union had a constitution so fearfully and wonderfully amended, with such a plethora of rulings announced by circulars to agents, that I doubt if Mana-

ger Stillman himself knew where he was on some points until he got out the bound volume of circulars and read them all over carefully. His predecessor, I am sure, has forgotten some of the rulings.

The new board must eventually recognize the fact that agents know something and wield a vast influence. The poor local mustn't be sat on too hard. You may knock him down but don't kick him on the forehead. If a manager deviates from the law, punish him just as quickly as the local agent.

Managers under the new system, it is hoped, will instruct their special agents to be thorough and diligent in their efforts to get business, but not to speak ill of their neighbors. There should be no damning with faint praise nor disparaging remarks made about local, Eastern or foreign companies. Adjusters may only criticize their *own* adjustments and are to keep their hands off of other people's settlements.

In short, we must all be faithful, forbearing and follow the Golden Rule.

Recently I had (not by request) a dream. It is not very long. It was so vivid that I awoke with a shudder. Sometimes I'm afraid it may prove true.

#### A DREAM.

On that rainy Sunday last January I was on the box seat of the stage coming from Lakeport. There was no other passenger. Watson was driving. Dry Creek, near Highland Springs, was a misnomer, for that day it was a raging torrent. We attempted to ford it, sank into a chuck-hole, and the stage tipped over. The driver and I were buckled in under the apron and nearly drowned right there. The panorama of my life didn't pass before me, so I concluded I wasn't done for then. My first thought was: "awfully cold;" the second: "this gives me the pneumonia." It did. We got dry clothes at the Springs and came on to Pieta. There I was taken with a severe chill and knew what was coming. I got home as soon as possible, but when I arrived at San Francisco I was a very sick man. It seemed to me that I lingered for several days, gradually growing weaker. I heard my wife and children sobbing at my bedside and remember that when the doctor said: "Hush, he's going," I thought, "if this is dying, it's easy." I tried to speak and then there was a blank.

After what seemed a very long interval I found myself wandering on a plain, in a dazed condition, but otherwise I felt just as I did on the other shore, and I thought, "Well, I've crossed the river and I don't seem to be either a seraph or a demon; what next?" Suddenly I seemed to be just before the gleaming walls of what I believed to be the Celestial City. This looked promising, and I stepped timidly up to the main entrance. Even then, with all my fears, I couldn't help admiring the pearly gates and the graceful curves of their portals. Strangely enough, my old ideas were still with me, and I thought, "what a superb risk at one per cent. for three years." I felt a presence, and looking up saw a tall, handsome young man, clad in flowing robes that glittered like old mine diamonds.

"Stranger," he said, in a voice like honey, "what is your will?"

"May I ask your name?" I said.

"They call me 'Peter,'" he replied.

"Just the man I was looking for," I said, "but I had been led to believe that you were very old, with spreading wings, something like the almanac pictures of 'Father Time.'"

"We are all young here, and have no use for wings," he answered; "our thoughts move us, and they are quicker."

"Shall I go in *now*?" I asked.

He smiled. There was something so genial and human about Peter that I liked him.

"What *was* your business?" he asked.

"Insurance," I replied.

"Life, fire or accident?"

"Fire."

"It *might* be worse," he said, "There are no life men inside and very few accident. Where from?"

"California."

"That's bad. You can't go in *now*. May be in one or two hundred years you may work up to it. Come!"

I shuddered, but I went. The scene changed, and my guide and I seemed to be in San Francisco. We appeared to be on California street first, and then on Sansome.

"Surely, I can't be mistaken;" I said: "this *must* be San Francisco; I am *certain* of it."

Yes, there they were, the old, familiar streets, up and down which a mob of wild-eyed men, with underwriters' badges on their coats, were rushing to and fro, waving their arms and shouting wildly:

"I'll cut it fifty and write it for three years!"

"Here's your return premium, sign the non-cancellation clause right there!"

"What discount am I bid for this school-house? Fifty! who'll say sixty? Sixty! who says seventy? Eighty! Eighty-five! Done at eighty-five."

"Who are these blithering idiots, Peter, and what are they trying to do?" I asked of the saint, and yet their wild shouts seemed to dimly recall similar scenes from my earth life.

"They're working out their salvation," he said, "doing penance for their sins; laboring hard for nothing; building castles and tearing them down, and blowing bubbles that vanish into thin air. Here's where *you* will have to stay for a time."

"But, Peter," I implored, "my kind friend Peter, don't leave me in this dreadful place. Can no one use influence to get me into Heaven? I *understood* they could."



"Influence doesn't go," said Peter; "nothing but conduct and character. No one can help you but yourself. I thought I had a pull, but on account of that little affair of mine, when I cut off the Roman soldier's ear, they kept me for many years outside slicing off phantom ears until I got civilized. Well, *good-bye*."

"*Peter, don't leave me!*" I cried, in an agony of apprehension: "What dreadful place is this, anyway?" "*This? O, this is hell!*" said Peter.

I awoke trembling in every nerve.

EDWARD NILES.

President Driffield being obliged to absent himself, Vice-President Folger took the chair.

Mr. Folger—We will now have the pleasure of listening to the reading of a paper written by Mr. McVean, on "Individual Benefit to be Derived from the Association," which will be read to us by Mr. Farnum.

Mr. Farnum—Gentlemen, a very pleasant duty has devolved upon me, which is the reading of a paper by Mr. McVean of the Transatlantic. (Reads, and the paper is received with applause.)

#### INDIVIDUAL BENEFITS TO BE DERIVED FROM OUR ASSOCIATION.

My subject is not one that calls for deep thought, nor any array of figures, and I can only make a few suggestions, directed mainly to the special agents, which, if carried out, might be of very considerable benefit to our Association and to ourselves individually.

Large bodies, whether political or commercial, have never been successful in their object, without thorough organization, and system, and much depends on the latter.

Our Association differs materially from these. We have our organization, but we may say we have no well-defined system of work, so that any benefits to be derived from our Association must depend upon the voluntary individual action of our members. There are three points that appear to me to be the hinges upon which the success of our Association must turn, viz: Attendance, active participation, and social intercourse.

#### ATTENDANCE.

1st. There are many questions that come up for consideration in our meetings that are vital to the business of underwriting—questions that we should familiarize ourselves with so that when we are confronted by the issues in the transaction of our business we may be able to meet them and bring them to a successful conclusion. These questions are not only dis-

cussed at the annual meetings but at the quarterly meetings as well. Hardly a day passes but brings to light some new proposition to be digested. The consentient opinion upon any question of importance expressed by the many, must come very near being the correct one.

It is not alone by the interest we take in the annual meetings that we will be able to maintain our Association and make it useful, but by attendance at all meetings whenever possible, and a constant practice and observation of methods recommended for the betterment of underwriting, and the elimination of the evils and abuses that may enter into our business. A good attendance is desirable in order that a full discussion may be had of important matters. I am quite sure that the managers appreciate the value of the work accomplished by the Underwriters' Association and would be pleased, rather than otherwise, if we spend two or three hours together each quarter when in the city.

A full attendance would encourage those members who devote much time and labor for the success of the Association. It is an arduous task to fill the different positions, and all should contribute in some way, however little, to add to the interest of the meetings. It should be our individual object to make our meetings instructive and our Association useful to our companies—to bend our efforts to obtain good results for the mutual benefit of all.

Our Association is particularly fortunate over others that I know, in that we count among our members men who, after years of labor in the field, now occupy the manager's chair. Their broader scope of observation in the practical working of approved methods make their opinions of greater value to the Association.

#### ACTIVE PARTICIPATION.

2nd. Active participation in the meetings will benefit us personally. It will give us confidence in ourselves, and as this grows the confidence of our superiors in us will grow. In our position as "specials" we are often thrown in contact with the working of the methods recommended by the Association, and our experience relating thereto, if given, may be beneficial to the members as a whole. We should not hesitate to express our views upon general matters. We all have our ideas upon the many questions incident to underwriting, and the object of the meetings is an interchange of ideas with a view to getting at correct methods. If our idea is the right one, discussion will but reinforce our opinion. If it is erroneous, discussion will correct it, and we will be benefited thereby.

We should always keep well in mind the fact, that we do not *know it all*, and, if we are afraid of exposing our ignorance upon a question of to-day, we will, in all probability, not get at the gist of it. We must often confess our lack of knowledge of a subject to get a proper explanation. A business is gauged by the ability by which it is conducted, and if by study we help to elevate our business we raise ourselves higher in the scale of public estimation.

No matter of how little or much importance the question is that is being considered, I have always noticed one feature that comes to the surface, and that is, that some member will relate his experience in a parallel case and the result. It is the relation and discussion of actual experience that is impressed upon our minds, and makes it instructive and valuable to us.

#### SOCIAL INTERCOURSE.

3rd. It would be very strange indeed if when we attend the Association meetings we were not benefited even through social interchange of experience. It may be upon the inspection of a certain risk; the adjustment of a peculiar loss; the straightening out of a tangled agency matter, and, in numerous ways, that we may by our experience assist each other by valuable information. If we are ever ready to impart useful information, we may be sure that we will receive information in return that will be useful to us. If we keep our knowledge to ourselves, lest our competitors should profit by it, we will in time become so contracted in our ideas that we will be of no use to our companies, or ourselves.

The usefulness of a special depends, to a certain extent, upon his popularity, not only with his corps of agents in the field, but also among insurance men in general; and, nowhere can the latter be cultivated to better advantage than in the Association meetings. His popularity may be the result of social qualities, or, on account of his ability as an underwriter, but you may rest assured that, coupled with either, is a frank, manly, generous disposition to at all times help his fellow-specials solve the knotty problems that are always cropping out in our business.

True, we meet in the hotels and on the trains and compare notes, but if we would make it a study to bring up some matter of interest that came under our observation during the year, our gatherings would grow in interest and the benefits we would derive from them would be increased four-fold.

It has been said that "The world is made up of little things." Let us cultivate the little things that are desirable in our business and it will help us to solve the more important problems. Introduce new subjects, new ideas, large or small, and new interest will be awakened. It would appear then, it seems to me, that the individual benefit we may derive from our Association depends upon our attendance, active participation and social intercourse, and may be much or little, as we may choose. By our attendance and active participation and earnest endeavor to assist we may benefit much. If we are not interested in the discussion of important questions we not only lose much, but I almost believe have not a proper appreciation of the fire insurance business.

#### SUSPICIOUS FIRE LOSSES.

Before leaving the platform I desire to offer for discussion, a matter that is somewhat foreign to my subject, but I think this is an excellent time to bring it up. The question is as to the advisability of having some

system for the recording of facts in connection with fire losses in our Coast department.

You are undoubtedly familiar with "Hine's Register" for record of losses, which is beyond question a very valuable feature of underwriting in the loss department. I find on glancing over the Register, however, that very few losses are reported from the Coast. I believe a record of our own would be much more effective. If the special agents and adjusters would make a report upon all losses they adjust, and such reports were placed before the manager in proper form, what a valuable record it would be to them in passing upon daily reports as they come in. In the Herald's issue of December 24th, 1895, appeared this item:—

"The barn of M. Schallenberger, on the Milpitas road, was burned last night. Origin unknown. Total loss \$1,600. Insurance \$1,200. It was built upon the site of the old barn destroyed by fire a short time since. This makes the *fifth* fire for Mr. Schallenberger in ten years."

It is hardly necessary to say that if such a record had been before the manager who paid \$1,200, for the fifth fire, he would have saved his company a loss.

Mr. Schallenberger, we must assume, is a thoroughly honest man, as the article does not state anything to the contrary; but fire will follow a person so persistently at times, that their misfortune makes their property a bad risk. We have many losses where investigation as to origin, is very unsatisfactory, to say the least. The "suspicious" circumstances are known only to the office sustaining the loss, and the claimant has no trouble in getting insurance again in other companies, while a record of facts would influence the offices to decline to accept further risks.

D. M. McVEAN.

The Chairman (Mr. Folger)—As this is the last paper this afternoon, I trust you may see fit to act upon Mr. McVean's suggestion. It was not so much that a record of all fire losses should be kept, on the Coast, as that the losses which are suspicious, or are known to be incendiary, should be kept. We are aware that some of the offices subscribe to the Record, which does assume to contain an account of all such losses.

Mr. Farnum—In many cases we would find that if Mr. McVean's ideas were carried out to the fullest extent so that the companies had a special knowledge of two or three fires that were of a suspicious or an incendiary nature, they would have declined to take the risk. I think that there should be some way by which all companies could be posted upon this class of risks. It does not seem to



me to be a very difficult matter. No special agent adjusts a loss in which he discovers that a man has had two or three previous losses, but what he reports it to his company; and that information given to this society would tend to make our loss ratio very much smaller.

Mr. Belden—I believe we have to be very careful. Some innocent men will be recorded there and they will be black-listed; and I know by experience that companies and managers have to be very careful in that respect. I would recommend that a better use be made of Hine's Record, and I believe that it would fill the bill suggested by Mr. McVean.

Mr. Sexton—This information generally comes to us too late, that a man has had four or five fires. It comes when the loss is settled. If the information is obtained at first as to whether the man is mortgaged more than he is worth, or whether he had a loss before, or if any other questions on the application or daily report were answered, which answers are deemed unnecessary now, if answering those questions could be brought into practice again, it would be a good idea. Hine's list merely calls for bad fires or blacklisted fires. The stable in the case cited in the paper was owned by a man whom we consider one of the best men in Santa Clara county, and we generally consider that the fires referred to were caused by the tramps.

We are getting the notion that we can afford to write anything under any circumstances, without paying any attention to values, ownership or occupancy, and then depending on the adjuster to get us out of bad scrapes. In fact, I think a little more care in underwriting would save us very many bad losses.

Mr. Maris—The gentleman speaks of taking anything without question. I was for two years connected with the Pennsylvania Fire Insurance Company, and the first instruction I got there was that every question on the back of a D. R. had to be answered, and there was some criticism on my reports, for not having all the questions answered; that habit I acquired here in California.

(President Driffield returned and resumed his chair).

The President then announced that the committee appointed to take charge of the President's address, the Secretary's report and the Treasurer's report would consist of Messrs. Rolla V. Watt, C. Mason Kinne and H. E. Parkhurst.

On motion, duly seconded, the Association then adjourned until next morning at ten o'clock.



## SECOND DAY.

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SAN FRANCISCO, February 19th, 1896.

10 O'CLOCK A. M.

The Association was called to order at ten o'clock, President Driffield in the chair.

A telegram was read from Mr. Chalmers as follows:

"The lone representative of the Association now here sends greetings with best wishes for successful meeting at the annual gathering. When eating his frugal meal to-morrow will think of the flesh-pots of Egypt at the Maison Riche."

The Chairman—Mr. Argall will now read his paper, entitled "Some Requirements of the Times." (Then followed Mr. Argall's paper.)

### SOME REQUIREMENTS OF THE TIMES.

Some years ago I remember an old colored preacher notifying his congregation that on Tuesday night there would be a prayer meeting "if the Lord was willin'," but that on Wednesday night there would be a prayer meeting "whedder or no." In something the same way President Driffield told me I was to have a paper ready yesterday, if possible; but that I was to surely have it to-day, "whedder or no." It is the usual thing to preface these papers with some kind of apology, but in this case I feel a genuine apology is really due you, which I offer in advance in deprecation of your criticisms.

It so happened that the results of last year's business came out better than some of us had expected, with an average loss ratio of only 53%—which, however, is simply the result of setting "losses paid" against "premiums received." If we were to take into consideration that import-

ant little "joker" in our accounts, the reinsurance reserve, it is obvious that the average showing would not be nearly so favorable, and I think it is generally conceded that the current year will in all probability be a hard one for underwriters on the Pacific Coast. It behooves us, therefore, to strain every effort towards putting our house in order and to prepare ourselves to make the most of every possible opportunity. It is in this spirit of provision that the following random remarks are strung together.

#### UNIVERSAL MERCANTILE SCHEDULE.

There is no denying that the existence of the present demoralization is to all intents and purposes the direct and logical result of the numerous inequalities and inconsistencies of rating under the regime of the P. I. U. and the Board of Underwriters. In so speaking, I intend no criticism of those excellent organizations, since they are dead, and it is well to respect the motto: "*De mortuis nil nisi bonum*;" but I think my point is sustained by the extraordinary efforts made, and the extraordinary expense incurred, by some companies in pursuit of certain "preferred" classes of business. Such business has undoubtedly yielded a handsome profit for many consecutive years, and was rightly regarded as being highly desirable, while, on the other hand, other classes of risk, having a moral right to insurance protection, have resulted in a more or less heavy loss to the companies at large. Under a reasonably correct system of rating, such anomalies should be exceptional, accidental and temporary, while in our experience they have unfortunately been a matter of regularity and common notoriety. In minor details the P. I. U. system of rating was good; but the arbitrary division of extensive sections of the country into our four rate-books was too sweeping and rigid in its effects to recognize the real hazard of individual underwriting propositions, and it is right here, at the very basis and foundation of the rating system, that the Universal Mercantile Schedule is so effective. It would seem the time has arrived for a more scientific apprehension of the hazard of individual risks and individual towns. There is nothing in existence which covers this ground in the same way as the U. M. S., and it would be a step in the right direction if its methods were to be generally recognized and adopted.

#### THE RATE WAR.

That competition, and severe competition into the bargain, will show itself under a dissolution of Compact rules is a self-evident proposition. Some of the companies, however, have in this respect gone altogether beyond the limits of reason, and it would seem the time has arrived to call a halt in this respect and regulate our competition on something like ordinary common sense rules. There is a natural desire on the part of a company to place on its books all the good business possible; but, when it comes (as it has come) to reductions of 20 and 30%, and even more on special hazards and on property in unprotected towns, the thing has undoubtedly gone too far.



## LLOYDS ASSOCIATIONS.

You are all aware of the extent to which Lloyds Associations have been flourishing in the East, notwithstanding the efforts of the regularly organized companies to combat them. There is no reason in law or equity or common sense why these associations should not be controlled and regulated by the insurance laws, or precisely the same principles as the stock companies, and it is believed the feeling in this direction back East is growing steadily. We are confronted here with the fact that a meeting has just been held in San Francisco for the establishment of a California Lloyds, to begin business on April 1st, and it may be taken for granted that, if this is once launched with any show of success, it will find many imitators at a very early date. If the Board of Underwriters is unable to take action with the Insurance Commissioner's office regarding the regulation of such Lloyds associations from their inception, it seems to me that our Association should step into the breach and appoint a committee to take action.

## TERM BUSINESS.

It seems to be universally admitted that, with the decreased rate of interest on investments and the smaller profit with which investors are content, some change should be made in the present charges for term policies and that  $2\frac{1}{2}$  years premium at least should be charged for three years insurance and four years premium at least be charged for a five years insurance. The present would seem to be a good time to ventilate a reformation in this respect.

## LEGISLATION.

In considering the condition and prospects of our business on this Coast, I think we should admit that as a rule our tariff rates of premium are high enough and that any general increase of them is impracticable, although they will of course bear a readjustment. The only means by which a better profit can be obtained would seem to be a reduction in losses, and this paragraph might very well be headed with the motto "LOWER THE BURNING LINE." Many of us do a good deal of talking and writing about the theoretical necessity for legislation, while others take the view that such duties are outside the province of an underwriter. Apart from the settlement of this vexed question, however, it will be admitted that, from our very experience, insurance men are best qualified to lead and mould public opinion on a question of the kind, and we should bring more prominently to the front the important subject of the prevention of fires. The various systems of fire inquests have been more or less tested and the results found to be excellent, and here again is an opening for an appointment of a committee from this Association whose labors would be of the utmost value to the insurance companies and the general public.

Our members, the majority of whom are special agents or adjusters, are constantly traveling; they meet town and city and county officials, editors, fire marshals and agents, and an assiduous cultivation of so wide a field would certainly bring good results. We should regard as a poor phy-

sician any medical man who simply treated us while we are sick and collected his fee without pointing out and recommending the way to health, and, while we ought not, in so many words, to admit any measure of responsibility for the prevention of fires, I think we should recognize a moral responsibility towards educating public opinion. The community at large would view with horror and alarm the admission into a city of fever-stricken patients, and quarantine officers and others are given full police powers to ward off this kind of danger. Is there any reason whatever why similar powers should not be given our inspectors to remove arbitrarily such indubitable sources of danger as defective flues and stove-pipes, or the storage of inflammables which may frequently constitute a serious menace to a whole range or a whole block or a whole town? It seems to me the appointment of fire inspectors and the establishment of coronor's inquests are very similar in character, one being aimed at the moral hazard and the other at the physical hazard.

In this connection, there can be no question that there is room for improvement in the supporting of such publications as the Fire Record and the exchange as between companies of the invaluable information which is already filed and collated in their individual black lists. An incendiary will not burn till he has got full insurance; and, the more widely published are the records of incendiaries, the more difficult they will find it to get insurance and the fewer will be the fires that occur.

#### WATCHMEN.

Among the prominent features of the reports of losses on manufacturing establishments is the frequent fact that the presence of a watchman is valueless as preventing the fire; and to this point considerable attention has been given in the East, from which we might well take example for the Coast business. I will only refer briefly to this matter, as more will doubtless be heard of it at an early date. For manufacturing plants in operation the old system of employing a single all-night watchman may be regarded as doomed, and it is pretty well admitted that the employment of one man for over 14 hours, from 5 o'clock in the evening until 7 o'clock the next morning, is cruel and inhuman.

The modern system, as advocated by Mr. Simonson of the Hartford Insurance Company, is to employ two men, both capable of working either as watchmen or as sweepers or helpers. One begins his shop-work at noon, works at sweeping or helping, or whatever it is, until the factory closes at night. He then takes a preliminary round to satisfy himself everything is all right, eats his supper, goes upon his regular watching rounds until 11.30 P. M., and is then relieved by the other watchman, so as to reach home at midnight. The other man watches until six in the morning, eats his breakfast, starts the fires, opens the factory for employes. He then does shop-work until midday, and returns home with ample time before him for recreation and rest until his duties again begin at 11.30 P. M. Week by week the men change their turns. Under this system, it is obvious that

the watching can be done in a spirit of carefulness and completeness which is evidently entirely lacking under the present system, having regard to the number of fires which occur in manufacturing establishments while the watchman is presumed to be on duty. The few manufacturers who have tried the new method speak of it in the highest terms possible, and would not under any circumstances go back to the old arrangements; and I refer particularly to the matter at this time, as I believe it to be quite a new idea on the Coast and one well worth considering.

#### CO-INSURANCE CLAUSE AND THE THREE-FOURTHS LOSS CLAUSE.

Some of the reforms already referred to in this paper may hardly be considered as of a very concrete character; and there are liable to be many difficulties and complications in carrying out changes in, for instance, the mortgage clause, the credit rules, and the like; and, furthermore, the effect of any such changes on insurance interests would be distinctly limited. In the subject matter of the present paragraph, however, there is the potentiality of such a reform as would be of probably greater importance to the insurance companies than could be brought about by any other single change. I refer now to the propriety of including in *every* policy:

(1.) A co-insurance clause for such a proportion of the value as may be deemed advisable, with rates fixed in accordance with the percentage of such clause.

(2.) The insertion of either the three-fourths loss clause or a loss clause of some other percentage.

Respecting the last-named clause, I believe the gravest error a company can commit is the allowance or encouragement of over-insurance, and special attention to this feature of the contract will always have a marked influence in lowering the burning line. The principle of placing a check on over-insurance has been widely recognized not only by insurance men but by those in charge of municipal and State interests. In some States it has been proposed to have the Tax Assessor fix the value beyond which no insurance could be recovered. In other States measures have been proposed prohibiting companies from paying over three-fourths of the ascertained property loss. The three-fourths figure, however, is unnecessarily rigid, and is in many cases unsatisfactory and inequitable, and something like 80% for building and 85% for ordinary property might be a fairer amount of insurance to allow.

The complete carrying out of the reform now referred to means of course that there would be no salvage to the companies in event of a total property loss; but, where a property is nearly or quite burned, we do not really want salvage, and with a total property loss there never should be any salvage under a policy properly written. In connection with this we should taboo altogether permits for other insurance without limit and the easiest method of doing this would probably be by board enactment, prohibiting the approval of daily reports without a statement of value and providing that every permit for other insurance shall state the actual figure permitted.



In regard to co-insurance, a subject intimately linked with the foregoing, I would uphold the position that any system of insurance which gives an assured his full loss is inherently and radically defective, and that public policy requires a property-owner to bear a portion of his loss. Co-insurance (called by marine men "average") is and always has been an essential feature of marine insurance, from which fire insurance sprang. As a matter of fact, the fire insurance contracts of almost every country other than the United States and Great Britain do contain the co-insurance clause, and it has never been clearly or satisfactorily explained why the clause was omitted from the earlier English policies and, later, from the American policies.

Now, there is no getting away from the fact that the less insurance carried, as compared with value, the greater is the chance of a total insurance loss, and the higher should be the premium charged for each \$100 of insurance written. When we quote the same figure per cent. for a small proportionate insurance and a full proportionate insurance we are guilty of an inconsistency, which is undoubtedly a very serious source of loss in premium income.

The recognition of the principle of co-insurance is a mutual benefit to both sides of the contract, for the insured, by effecting something like full insurance, can get the lowest possible rate, while the company has the advantage of a decreased liability to total loss and an increased chance of salvage. If, on the other hand, an assured is not willing to carry a fairly full insurance, he pays a proportionately higher rate of premium for the greater risk of a total loss (absence of salvage) assumed by the company. The recognized principle of dealing with this matter is, however, not to raise the rate in proportion to the lowering of the percentage co-insurance clause, but to fix, in the first place, the standard rate to fit the lowest possible amount of insurance and then allow a discount for every additional percentage of insurance carried. This method does not penalize or antagonize the assured, but puts the thing in the light of a concession to him. Everybody admits without question in ordinary business that quotations at wholesale can be made lower than at retail, and the allowance of reduction of rate for additional percentage of insurance almost invariably impresses property owners as being an equitable arrangement, while the public at large would resent and criticize the increase of a rate for a lower percentage of insurance carried.

The question of co-insurance is "as old as the hills," and a good many years ago a Chicago underwriter figured out in this connection that the insured property of the country was probably covered, on an average, for two-thirds its value. He assumed that the average of loss to premiums on aggregate results was 60%. If all property had been insured at the same rates for its full value, it is obvious that the average of loss to premiums would have been only say 40%, as the companies would then have received one-half as much premium again as they took in to set against very much the same amount of losses. We do not, however, want to allow full insur-



ance in a general way, and in practice would probably require about 80% insurance for small properties and something considerably more for large properties. If, therefore, we can secure an average insurance on all the property we write of somewhere between 80 and 90% of the value, the result would probably be to REDUCE OUR GENERAL LOSS RATIO 10%, which would be enough to make the difference between an actual loss in our underwriting transactions and a very creditable profit. It is unnecessary to say that the loss clause should in every case be written for the same figure as the co-insurance clause, making one the exact complement of the other.

The adoption of co-insurance would practically revolutionize our rates under a system the equity of which could not be denied by the most bitter opponent of the insurance companies, and I believe its adoption to be the most prominent of those latter day questions affecting our interests which admit of anything like a practical remedy.

Times are not very flourishing with Pacific Coast underwriters, and the immediate outlook is, in many ways, discouraging. When, however, every policy is so written that an appreciable portion of the fire loss falls upon the assured, I believe we may consider ourselves within sight of the Promised Land.

As already indicated, my remarks have no pretensions to the dignity of a paper, and are simply thrown out in the hope that they may lead to a fuller consideration of some of the subjects and bear some fruit in a practical way.

Respectfully submitted,

F. G. ARGALL.

The Chairman—Gentlemen, I think you will agree with me that Mr. Argall has committed no offense, and that there is no occasion for any deprecation of his attempt to confer benefits. In my opinion the two most important of the suggested reforms are those of equalization of the rates, and the application of the co-insurance clause, but the many other proposed reforms are desired to almost as great a degree. I am much pleased to see that Mr. Argall has treated of requirements, in his paper, that I locally touched upon in my annual address, but they receive at his hands an elaboration which it was impossible for me to give. Are there any remarks on the paper? (Pausing.) I imagine by the silence that everybody is in harmony with Mr. Argall.

We will now listen to "A Talk" from Mr. Devlin.

## A TALK.

I fear, Mr. President and gentlemen, that I resemble the picture of the little child and the dog, where the little child looks up into the dog's face and says, "Can't you talk?" I am like the "dog," for I can't talk, and besides I have been under the charge of the dentist for the past few days, and I hope you will bear with me if I am not distinct enough in my speech.

It was my intention, as our President knows, to have written a paper on the Mortgage Clause, but I found that this would take a great deal of time and much research to prepare a paper on a subject so important, and this time I did not have at my disposal; but as I promised to do something, your President has held me to this promise much to my regret and I fear, gentlemen, to your sorrow. But I am wandering.

Before coming over this morning I jotted down a few headings on the "Detail of our Business," and I will now elaborate a little upon these. I intend to address myself more especially to the special agents and to those special agents who are not familiar with the detail work in the office, and I hope that the managers present will forgive me should I bore them—and first of the "daily report."

On this Coast but little care is given to the daily report, and it is but seldom that the questions printed thereon are answered, although of much importance. It may be said that we have maps of the towns, that we have the commercial reports and Hine's Record to assist us, but there are many questions asked on the daily report that are important—some replies that are absolutely essential before we can satisfactorily pass the same. If our business is merely a gamble, if we are to take in everything that comes to the grist, if we are not to separate the wheat from the chaff, it makes but little difference; but if we believe in the principles of underwriting, if we are careful, conscientious and painstaking, if we want to *know* and not merely to *guess*, we should require the questions answered, so that we may arrive at a more complete understanding of the risk offered. I do not believe the questions were printed merely to give work to the printer—do you?—nor as a matter of form. Do you not think therefore that instead of telling the agent that it is unnecessary to answer the questions, as I have heard some special agents have done, it would be better to explain why such questions are asked and the necessity of replying thereto? It will make the agent more careful, too. It will prove an educator, and I hope that the special agents will recognize this. It is difficult where an office whose methods are methodical, and where it tries to have some system, to use every care, to have other offices or the special agents of other offices say to the agent, "We do require such things. It's quite unnecessary to reply to the questions on the daily report." So I desire to urge upon you to try and have the questions answered, and if your office does not demand this do not endeavor to break down the requirements of others.

I shall now take up the question of inspections. Great care should be used in inspecting risks. Too often inspections are made from the sidewalk

or from a buggy, and I have I regret to say known of cases where they have been made from a map taken into a back room. How can any special justify such an act? When the special sends in his survey blank properly filled out, the manager believes that the special has personally inspected the risk. He must rely upon his special agent, and it is a satisfaction to the manager to have a careful, competent and conscientious special make inspections, and when the survey blanks are returned with the approval of such a special it must ease the managerial mind. If the special agent is careful in the matter of inspection and is thorough in his work, and with this watches the causes of fires it cannot but add to his knowledge and it is, I assure you, not only a satisfaction but a comfort to the special who becomes a manager, and I hope you may all be managers some day, to find that he is personally familiar with the risks as the daily reports come in, knows the towns thoroughly, their water supply and facilities for fighting fires, the width of the streets and the general construction of the places from which the reports come, to say "I know that risk, I inspected it, and I am willing to pass it." It is a relief, a mental satisfaction, and I therefore urge upon you for your own sakes, for the success that must ultimately come to the careful worker, to use every care in your inspections; in fact in all of your work, for there is no detail too small to notice. He should not only report upon the risk but should endeavor to have the assured improve it, for many fires occur through the utter ignorance of the assured as to the cause of fires, while the special agent, by his training and education, is familiar with it, and most of the people insured would gladly improve their risks and lessen the hazard if special agents would point out the defects.

It is well, too, for the special agent, if he has time, to inspect such special hazards as may be in his district, for whether his company has a line of insurance or not on such properties, it may be taken for granted that if the insurance carried is heavy his company will some day be offered the risk.

The accounts of the agents also require attention. Unfortunately on this Coast we have allowed the credit system to grow to such largeness that it is almost a Herculean job to eradicate it; but I sincerely hope that should we ever have another Compact organization, that the matter will be taken up and that some method will be adopted to lessen the evils now existing.

The special agent can do much to assist the office in the collection of accounts. While overdue accounts should be sent to the special agent with instructions to collect the same, I think the special agent should not always wait for these—but should of his own accord look over the accounts of the agents and make special inquiry in regard thereto, and if he finds the agent derelict he should attempt to remedy it without waiting for instructions.

The manager has many things to look after—much to worry him. A good special relieves him of much, and I tell you gentlemen that the work of such men is appreciated. The only trouble is that we lose them all too soon, for others want them to fill positions of trust, and it is then that we realize our loss, happy however in their gain.



And now to come to the detail in our business, which is our daily work. We must again begin with the daily report. After this is received at the office the daily report should be checked as to form and rate. It should be examined carefully and all answers to questions carefully read. I am now presuming that all questions are answered. It is then usually entered in the register or other books kept for that purpose and thereafter placed in the maps; and the manager should, to my mind, inspect the maps with the report, for how else does he know how the particular risk is situated? Mapping of lines should have the utmost care, for carelessness upon the part of an employee in mapping a risk may prove very serious to a company, and I have known some offices that have suffered severely through such carelessness. I believe therefore that each office should keep a block book or location book, wherein such risks are registered, and that this blocking should be done by some one other than the map clerk, so that a mistake made by the map clerk might be caught up by the blocking clerk.

The use of the mercantile reports and of Hine's Record have proved of great value in many cases. I believe that one should obtain all the information possible both as to the assured and the property covered, and nothing short of this should satisfy the underwriter.

Endorsements also should be given as much attention as the daily report. They are often too hurriedly passed, and many times a risk is entirely changed by endorsement. Vacancy permits are given, changes made, and the hazard often increased, and care should be taken to look carefully at the endorsements, and the endorsement clerk should be a man of some thought, so that should the manager, by inadvertence—managers never make mistakes, you know—allow an endorsement of importance to pass through his hands, the endorsement clerk would stop it and bring the same to the manager's notice.

Losses will come, of course, and these are placed in the hands of our special agents or of independent adjusters. When the proofs are returned they should be checked carefully, and I presume they are in most instances, for the manager should endeavor as much as possible to assist his special agent in every way, and what can one do more to assist than by critically examining the work of the special agent? The independent adjuster is usually a graduate, and to say anything to him would be like gilding refined gold. He, like the manager, never makes mistakes—but should he, did you ever notice how modestly he admits it?

Abstracts of all policies written are sent to the home offices, and so are the endorsements. These are sent weekly, by some, monthly by others. Accounts to the home offices with vouchers go forward at regular intervals, and day after day, week after week, month after month, year after year, this detail work goes on.

It is of course the manager's duty to create, direct and advise, and to decide upon all matters of importance or of interest to his company; but at the same time it is his duty to watch the detail of his office, and he should



be in touch with all the departments of his office. It is of course necessary that he should trust something to others, but he should always be cognizant of what is going on.

I fear, gentlemen, I have tired you; my remarks have been somewhat of a rambling nature, and I have touched upon the different subjects as I went along, and have not attempted to cover all the detail work, but have merely tried to give you a little practical talk. If it has interested you in the least I will be gratified. Mr. President and gentlemen, I thank you for your kind attention.

FRANK J. DEVLIN.

(Applause.)

The Chairman—No one can question the value of Mr. Devlin's remarks, and I trust that the field men especially among us will take good heed of the suggestions in regard to inspections, and to requiring and insisting upon the information required by the daily reports. I do not know whether Mr. Devlin's remarks need any further discussion, as I think they meet with the hearty co-operation of all of us.

Mr. H. M. Grant—I think a great deal may be said upon that subject, and if I had the fluency of Mr. Devlin, I would like to say much upon the necessity of the requirements of answers to questions upon daily reports or application. He has said that many specials have said to agents that it did not matter about the questions. I can hardly conceive of that being done, and I can hardly conceive of any office sanctioning such action on the part of the special. Doubtless it has spread to a greater or less degree. I do think it should be the duty of the special to impress the local agent with the importance of the requirements of those answers. As Mr. Devlin said, they are not put there to furnish work for the printer. They are prepared with a great deal of care. Many of them are prepared in the offices here, many of them are prepared from forms required by the parent offices, and they call for information which is absolutely necessary, especially in the matter of values and mortgages, and general conditions as to the risk, by which the manager is enabled to properly pass upon its eligibility. It is a most important thing. In many forms the questions required to be answered

embrace an agreement to be signed by the applicant that the answers are true. Oftentimes there have been misrepresentations in the answers given, which have their bearing upon a loss. It could certainly benefit the business to a very great degree, if this were carefully attended to. The managers are themselves, doubtless, at fault, that they are not more generally and more fully required. Of course it does make a difference with a company, that it does insist upon the absolute compliance with these requirements, while others do not, and some are especially insistent upon that matter. The requirement should not be confined to the smaller agencies, as to daily reports in their districts, in their own towns and neighboring towns. There is no good reason why the best agent in the best towns should not furnish his office with every particular queried upon in the risk. The special may feel that he does his company good service when he presents to the agent the importance of this thing.

Mr. Kinne—While it is very important, this matter of queries on daily reports not being replied to, is mostly due to ourselves. The insurance business is a law of general average, and everything compensates. We have special agents sent out into the field, where all the risks, even in the smaller towns are rated by schedule, or mapped by the companies, and that seems to fill the bill in the minds of some. The agent don't care anything about it, and we do not seem to care. The map is there and it is supposed to be correct, and the agents are instructed by this very method of procedure not to do anything, as it should be practically required of the local agent. That is one of the places where dust is thrown in our local agent's eyes. It seems to me we have got to take the thick with the thin. I was once talking about a new agent in a certain place, and interviewed the same man that a special agent had (which special agent now holds a position in a leading company), and I ascertained, after concluding to appoint him an agent, that he was told by his other special that there was no earthly use of making the replies. There was no map in that town. That was their idea, that they need not carry out the principle of replies to questions. If we could break

away from those improper methods it would be a good idea; but as long as there are those who are willing to accept such applications we cannot escape from it. The good old days are the best, but not practical like many other things in this world.

Mr. Smalley—Talking of daily reports, I wish to make one suggestion to the managers. On the back of the report is this question: "Does this building stand on leased ground?" Some of them stop there, and some go further and say, "If so, how long is it to run?" Some agents put in "Yes," and nothing more. On coming to adjust it I see that it is on leased ground, and I find out nothing about it. I have to wire the company to learn whether that is true or not, before making my adjustment. It seems to me if the daily report was handed to us for use, it should be endorsed upon the policy, and it would save a great deal of time.

In following out the ideas of endorsement, I want to relate an experience. I was one time representing a company in the East, whose home office was famed for its close and careful attention to detail business. It was almost an impossibility for anything to go wrong in the office. It had a prohibited list, and on that list was "planing-mills." The company would not take planing-mills on any consideration whatever. I had an agent up in the woods in Michigan who tried very hard to get us to take those risks, but the company would not do it. On returning to the office, after about six months' absence, I found a policy insuring five thousand dollars on a steam carpenter-shop. I looked it over, and down at the bottom was half an inch of endorsements pasted on. The first one was, "Permission is hereby given to operate a small saw." I turned that over, and I found another endorsement dated two or three days after that, reading, "Permission is hereby given to operate a small planer;" and there were five or six endorsements on, that made that a full fledged planing-mill. They had gone through that office, and the company was carrying the risk. This matter had escaped the attention of the office.

Mr. Edwards—The gentleman lays great stress upon the efficiency of the special, in looking after and seeing that questions on applica-

tions and daily reports are properly answered by agents. When instructing the agents in the performance of their duties, Mr. Grant follows it up in the same strain, laying great stress upon the importance of the poor devil of a special performing some of the duties that he, as manager, required. Mr. Devlin and Mr. Grant, and all managers, send their special agent out with the expectation that he will secure as much business from the agency as any other company in that agency, and if he does not get his good share of that business he is hauled over the coals, very unceremoniously, and slapped pretty hard. The special agent knows what his manager wants him to do. He wants him to get business. He visits an agency, and he soliloquizes, "How can I best get business out of this agency? By inducing him to give it to me with the least requirement, making it *easy* for him to give it to me." It is one of the points that the manager leaves open; and if he wants those questions answered as they should be, let him demand and require of the local agent that he should answer those questions, and not throw the responsibility on the poor special, who has enough to do.

Mr. Geo. D. Dornin—I think this paper of Mr. Devlin's has struck a very sensitive chord. The responses would seem to indicate that we need a paper on instructions to managers, rather than to special agents. Colonel Kinne has rather taken my speech out of my mouth, because I had it in my mind to say that the work of the special agent was instructive to himself and to the local agent, some years ago. He had no maps to fall back on, and he had to make maps as he went along. He had no tariff rates to fall back on, and he had to make tariff rates. He had no instruction book to fall back upon, and he had, under the instructions from the general office, to instruct the agents. But beyond all that, the necessity of making maps made individual inspection necessary, and thus he became familiar with the hazard. It did not always follow that his judgment was good on certain risks because I know of my own certain knowledge that there are many risks now standing, which I rejected when I was in the special line thirty years ago. Some years ago, I



had associated with me a gentleman whom you all know, who was one of the best specials in the field then. The agents had a great deal of confidence in him, and when our enquiry went out it would come back, with the reply, "Sexton knows." It is a little embarrassing, however, especially when we are reporting to a foreign office, who have a fashion of sending in query sheets from time to time asking very absurd inquiries, that the only reply we could make is, "Sexton knows." I sincerely think that instead of getting out in the field and giving merely the alleged manager's instructions, that they must get the business, and we will sort it out. We should operate from the point of view that some of the risks must be rejected, and in order to have an intimate knowledge we want all the questions answered. I really believe that the special will make himself more solid with the agent if, instead of the slipshod way, he should insist upon it that the agent must give the company all the knowledge that he has. In that way he saves the irritating correspondence that is bound to follow. The agent does not like to answer any more questions than he can help. I think that is the way to make the agent more effective. I think that the office that insists on regular accounts is the one that his agents will tie to. I think we all find at some time or other that we have an agent going wrong, and he holds the manager responsible for permitting him to get into this condition, and he can say, "If the manager had insisted upon it, I would not have gotten into this box."

Mr. Sexton—The agents and specials make the losses, and the agents and the stockholders pay them. Formerly the agents furnished the money, but now the stockholders are liable. I intended to keep out of this discussion, but I do not propose to be blamed for the negligence of agents answering questions on daily reports. While I have nothing to do with the business, I have a good many losses to look after, and I often find a contract that the company did not make, that the agent did not make, but that we are held for. In the case of the endorsement "carpenter shop with steam power," we have to settle these questions when they come up. The assured must have his pay whether he has paid for the insurance or not.

Some years ago, when I first started out, I had two ideas; one was that the Fireman's Fund was the only company that paid its losses in Chicago. The other one was that it was the law of the State that a man should not get insurance for more than three quarters of the value of his property; that he should not have a policy until every question on the application had been answered and he had signed it. I soon got over that. One day I found in the office an application in pencil brought in by a broker, on a piece of property in South San Francisco, and it went through. On hunting up the matter, I found that the brokers in the city were thoroughly responsible for anything they brought in, and it was not necessary to know whether it was on leased ground or anything about it, because it was under the supervision of the manager, although the manager would not know the broker if he met him on the street. Next I learned that this extended to Oakland under certain conditions. Then it went to San Jose, then it went outside, and they said it was not necessary because we have maps now, and know all about the risks. The Sanborn map man made the diagram for the agent, the forms of policy were made and printed at the home office and the special became a soliciting agent again, and his business, as Mr. Edwards said, was to put the least work he could on the agent, and by treating the assured, and writing policies for and fixing up his agent's account, and allowing him a little extra commission, paying hotel bills, etc., get more business for his company.

I speak on this subject from a disinterested standpoint, and I find that the whole fault lies with the offices in not commencing right at home in having the questions answered.

Mr. George F. Grant—On the point concerning inspection slips, which one gentleman said would be wise to have made in the office, my own experience has been that it is wiser to make your own inspection slips from the register of the agent. There is one thing you cannot miss, and that is the manner in which he has put the form of the policy on the register. If he has made mistakes in the daily report your inspection slips will possibly catch it. Following it, it

must furnish you with the name of the insured, the property of the insured, and smaller details. If you have a good memory, in making inspections, year after year, you become as familiar with those risks as you are with any of your household effects. Now the point I wish to make is that by filling out the inspection slips you prevent any possible error as to amounts or locations or rates, and I wish to say that you correct the error the agent may have made by making them out yourself.

Mr. Spinney—I am in favor of having the inspection slips sent from the San Francisco office, and the special can check them from the local's register. In the larger agencies only a general register is used for all companies, and the local does not wish a special to pore over a register that contains records of other companies; hence he, the local, has to call off the risks, which not only takes up his time, but if he misses a risk, intentionally or otherwise, the special probably leaves town without inspection of just the risk that should be inspected.

I had such a case in one of the larger California towns. A fire was reported, and being on the spot, I adjusted the loss for the companies interested. The building was formally used as an ice house, but at the time of fire was so dilapidated that it had only been used occasionally for storage purposes. Upon arriving at San Francisco and giving my report, the offices of the companies interested looked up their daily report to see what their specials had thought of the risk. There was no inspection slip whatever in either office, although all other risks had been reported upon. Had the slips been sent from the San Francisco office this risk would not have passed.

Press copies of correspondence passed through the special's field would assist him in his duties, and relieve him of being compelled to ask agents if there were matters which the home office had asked to have adjusted.

The Chairman—I am very glad that the subject of Mr. Devlin's talk has excited so much discussion.

We will now proceed with the Reports of Committees. 1st: "Adjusters' Charges and Contributions Thereto," by C. Mason Kinne.

*To the Fire Underwriters' Association of the Pacific:*

GENTLEMEN :—

It having become quite evident that the present rules concerning adjusters' charges and contribution from companies interested were either so faulty in construction or intention as to be improperly understood or applied, the Fire Underwriters' Association of the Pacific, after some discussion of the subject, recently appointed a committee, consisting of C. Mason Kinne, Calvert Meade and F. G. Argall, to formulate and present a more equitable and satisfactory rule that might meet with the approval of the Association.

The committee gave the subject careful and earnest attention, sought the ideas of many others, and finally decided to present the one accompanying this report to the Association at its last monthly meeting, where it was discussed at some length and finally unanimously adopted as the sense of the meeting, the same to be amplified by the committee and submitted to the members of the Association at this annual meeting.

Rules are made for the same purpose that contracts are put in writing and signed by the parties at interest, in order that there may be no misunderstanding as to the intentions of the makers thereof.

We think that the main principle of the rule now submitted is evident to all of you, and it is hoped that it is so phrased that there can be no misunderstanding as to its intention and honest application.

Your committee does not propose to give any argument as to its merits in this brief report, but if explanations are needed or examples as to its application are desired the committee is ready and willing to accommodate those asking for light.

We hope that this rule may meet with the approval and final ratification of those assembled.

Respectfully,

C. MASON KINNE,  
Chairman.

SAN FRANCISCO, February 19th, 1896.

Mr. Kinne—The rule is in your hands. Perhaps it might be well for me to read it, because sometimes a thing sounds different when heard read.

(Mr. Kinne then read the proposed amendment to the rules.)



## ADJUSTERS' CHARGES AND CONTRIBUTION THERETO.

## MINIMUM CHARGE.

Where no special agreement exists, the minimum charge for adjusting losses shall be \$15 per diem and expenses—expenses being understood to include traveling, hotel and necessary incidental disbursements.

## GENERAL EXPENSE.

An adjuster shall be paid by the company or companies employing him, his per diem and expenses from the point where his employment takes effect to the point of loss, and thence to his home city, or to the point on his direct route where he is diverted and (or) employed by another company or other companies. From any point where he is so diverted and (or) employed, such other company or companies shall bear his per diem and expenses to his home city, or to the point on his direct route where he is again diverted and (or) employed by any other company or companies. The company or companies last employing him shall bear his per diem and expenses from the point where such employment takes effect to his home city.

As between companies interested in losses occurring by same fire and employing same adjuster, the basis of apportionment of general expense shall be the amounts at risk: and such companies shall pro rate in general expense, whether their instructions to adjust be given simultaneously or not.

Provided, however, that incidental losses, under short form proofs, shall not necessarily contribute proportionately to general expense, but shall, at discretion of adjuster, bear a special adjusting fee, amount of said fee to be deducted from general expense before apportionment of the latter and to appear on adjuster's bill.

## SPECIAL EXPENSE.

Special expense on each loss shall be charged by adjuster in accordance with time engaged and (or) special charges incurred, apportioned pro rata among the companies interested, the basis of apportionment being the amounts at risk.

## SPECIAL AGENTS.

The foregoing rules shall apply to a special agent while employed as an adjuster. His employment shall take effect at the point where he is diverted from his special-trip route, said point to be considered as his home city. His employment shall cease either on return to said point, or at the point where he resumes or takes up special work, or at the point where he diverges from the most direct route from last point of loss to said home city. The company or companies last employing him on a continuous adjusting trip shall bear his per diem and expenses from the point where such employment takes effect to said home city.

The Chairman—Gentlemen, you have heard the report of the committee. What is your pleasure in the matter?

(The report was then on motion, duly seconded, and without discussion, unanimously adopted.)

The Chairman—The next will be the report of the Committee on Mortgage Clause. Mr. Lowden, the chairman of the committee, is not present.

Mr. Sexton—I have a minority report.

The Chairman—As some of the reports are not ready, I suggest that we hear the paper by Mr. Sewell.

(Mr. Amos F. Sewell read his paper, entitled “Advertising,” which was received with loud applause.)

#### ADVERTISING.

It may first appear that my theme is more in the line of a man in charge of the advertising columns of a journal or publication, but when we come to think of it, we discover that advertising is the paramount factor of an insurance man's daily occupation, the very essence of his business life. We endeavor to promote the interests we represent by placing them before the public in a favorable light; we are advertising them. Many of us perhaps do it unconsciously and think other motives prompt particular acts which will please others. We may allow ourselves to be deceived by the impression that it is generosity, but it is not; we are all selfish. It is an inborn desire to advertise ourselves or what we represent. The intending purchaser of any article or commodity is shown the goods themselves or a sample of them. They are brought forth for his inspection and he selects that most pleasing to the eye, either in beauty or a durable point of view. The goods are there and speak for themselves; they are in a great measure self-advertising. To our prospective customer we can display no goods or samples, but we may show him something printed on paper, and for the rest we must depend upon the tongue, an insurance man's great advertising medium. A deaf and dumb man might become a successful shop-keeper by offering choice wares and marking his price upon them in plain figures, but fancy him engaged in the insurance business.

#### BLOTTING PADS, CALENDARS, ETC.

Do we all advertise to the best advantage? “I think not.” Years ago, further back than I can remember, it became the custom for insurance companies to furnish blotting pads and calendars to their agents for free distribution; subsequently, with liberal enterprise many companies got out rulers, memoranda books, paper weights, paper cutters, tape measures, yard measures, maps, money purses, pocket books, stamp cases, etc., besides an almost endless variety of printed matter, cards, leaflets and

pamphlets, showing not only the financial condition of the company, but telling us how to cure mumps and measels, ingrowing nails, remove grease spots and play Hoyle whist. All intended to stimulate business, and they do stimulate it—with our printers. Every field man knows that tons of this printed stuff is annually wasted and destroyed in the offices of Pacific Coast local agents alone.

If some observing chap would make an estimate of the yearly cost of so-called advertising matter sent out by insurance companies, and classify the effective and ineffective, I am sure the figures on the latter would be a revelation. Almost any of our field men could make such an estimate, and a fairly accurate one, without much trouble. Why should insurance companies furnish 98% of all the blotting pads used in the United States, and 75% of the calendars? You may be inclined to answer that question in my own line of argument, because ours is a business that must be extensively advertised, but do these things accomplish the purpose? Possibly, in a way. I believe, however, we can attain better results with less money.

Can you tell whose blotter you last used outside your own office (where you have only your own), or whose calendar you referred to in looking up the date? "No!" well, neither can any one of the next five thousand people you see. I grant that a blotting pad is an inexpensive thing, but we get them out in such great quantities that the aggregate cost is enormous. Calendars produced in San Francisco average about \$40 per thousand, and I should say not less than 750,000 are annually distributed on the Coast by insurance companies. There is an item of \$30,000, and 50% of it goes to decorate scrap albums. They cut away all traces of advertisement, you know, before they paste the picture in. No wonder the public think insurance companies have "money to burn," when they practice such extravagance.

#### TIN SIGNS.

There is another custom I want to see abolished, that of sending tin signs to our agents. They look very fine in the supply room, with their gilt letters and glossy surface, but after a few weeks' exposure to the weather they look measley. "Measley" is just the word to express it! I was talking insurance to a farmer in a small interior town one day last summer, when he interrupted me, and pointing across the street to a weather-worn tin sign nailed on the front of a building, said, "Say, partner, does an insurance company with such a looking sign as that pay its losses in good money?" I told him it did, but I had to admit that the appearance of the sign was sufficient to create a doubt in the matter. Many of you have, no doubt, heard of the agent up on Sutter Creek, who covered his wooden office building with the tin signs of companies he represented, and then applied to the Pacific Insurance Union for a reduction of rate on the grounds that his was a tin-clad building. I think he got the reduction, but his building looks like a ham omelette. All signs are not on my prohibited list, but tin ones are.

## AGENCY EQUIPMENT.

A modern agency equipment consists of about the following, aside from the regular necessary blanks: 350 blotting pads, costing say \$1.50; 150 calendars at 4 cents each, \$6.00; 200 cards with agent's name, \$1.50; one tin sign, 40 cents; leaflets and other printed matter, say \$1.50; total, \$10.90. Assuming that my estimate of this advertising stuff is correct, let us cut it all out and make up a new lot, thus: 200 small leaflets of glazed paper, on which we have neatly printed a financial statement of our company and the agent's name. A burnished brass or white metal inside sign. The leaflets will cost \$2.50, and the sign 75 cents. This is clearly sufficient, but you may, if you like, include some small durable article of utility as a gift to the agent, cost say \$1.00. Total, \$4.25, a saving of \$6.65, besides the difference in express charges, and as much if not more genuine advertising accomplished. That little dollar present to the agent will stimulate your business more in his town than ten thousand calendars at forty dollars a thousand.

## OTHER ADVERTISING.

Leaving the matter of agency supplies, we come to other advertising opportunities. All worthy insurance journals should claim our attention, they must keep abreast of the times, warn us of underground encroachments, provide us the means of an exchange of views, and furnish us with the latest legal decisions and current topics. They are indispensable, and we should give them hearty support.

Then there is the field man, commonly termed special agent. If he be the right man, he is the greatest of all our advertising resources, and can accomplish results more fruitful than all others combined, he may establish for his company a strong individuality in the field he covers. Most of them do, a few do not. As an illustration of one who does not, I will recite an incident that occurred in my presence some months ago. This special agent and myself were on our way to an interior point to settle a claim against our respective companies, and were comfortably seated in the smoking-coach, with seats turned over.

## THE DRUMMER'S WAY.

At one of the stations a wideawake and breezy drummer, with whom I had a casual acquaintance, got aboard, and passing along the aisle accosted me. I presented him to my companion and invited him to share our seat. The air fairly bristled with that chap's individuality. He glanced around the car and sat down with the remark, loud enough to be heard by several sitting near us, "Well, boys, those Wetson hats that I handled are jim hummers and no mistake. They come in all colors and sizes, are right up to date, and a little bit past. When I flash my samples, all the good people 'want 'em.' Sold a car load in this burg yesterday." Then turning inquiringly to my companion, "Traveling man, I presume." Our special admitted that he was. "What line?" "Insurance," answered our friend in a low



apologetic tone, blushing a bit at the same time. "Oh!" said the drummer, "Insurance? Well, now you are just the fellow I want to see. I am insured in the 'Benited Brotherhood of the Silver Staff,' for three thousand, and last month they wrung in five assessments, and I had to plug up about eleven cases. I kind of think they broke it off in me that trip, and I am getting 'leary' on the company. Now you are an insurance man and I would like to have your opinion of the 'Benited Brotherhood.'"

Our special agent hereupon produced his card and said that he was in the fire insurance business, and while he had heard of the "Benited brotherhood" he knew nothing as to their responsibility. "Oh, I see," said the drummer, "fire insurance," scanning the card, special agent Siam Insurance Company, "'Spouse you know Brown, Tim Brown? He is a special agent for the Siam Company. Heard him talking insurance to the old man my last time in."

Neither of us knew Mr. Tim Brown, but I afterward learned that he was a hustling San Francisco broker who placed most of his business with the Siam.

If the special agent had been as zealous in advertising his business as the drummer, he would have impressed the name of his company upon several people right there. It is very likely that at least half of those within hearing distance on that occasion asked for the Wetson hats the first time they bought a head covering, but it is pretty safe to say they did not demand Siam policies when they insured their property. That special agent will not give his company any individuality in his field.

#### MEANINGLESS TERM SPECIAL AGENT.

Allow me to diverge from my subject for a minute. I want to roast that title of special agent. Why do we continue to call our field men special agents, compelling them to labor along under a title that signifies nothing to the ordinary public mind? I have spent many weary hours in the aggregate, explaining to intelligent and successful men in various business lines outside of insurance, what a special agent was. Some add to the title "and adjuster." Did you ever note the difference in impression made when a card is presented with that word adjuster on it? It carries with it some distinction, and he who reads it immediately comprehends and respects the nature of your business. Let two men of equal caliber and same appearance enter a hotel where both are unknown. One presents his card, "special agent and adjuster." He gets a bedroom and a bath in it. The other hands out his card, "special agent." He gets a bathroom with a bed in it. The "special agent" of the Benited Brotherhood spent a week there last summer, and the "special agent" of the "Good Lookers Matrimonial Aid Society" was there the winter before. Both left delinquent board bills. Adjusters, however, always paid their bills. Popular opinion is against me on this point, I think. Most managers will tell you that "special agent and adjuster" is a euphonious title, affected mostly by greenhorns and beginners. But I have a set opinion in the matter. Brother, if your mana-

ger objects to the word "adjuster," try him with the following: Superintendent of agencies, agency inspector, organizer of agencies, State agent, State inspector. If none of these go, then print across your card, "Please read conditions on back hereof," same as they do on policies, and on the other side briefly explain the nature of your occupation. This will obviate many annoying questions and give you a better run for your money in a strange hotel.

#### THE FIELD MAN'S OPPORTUNITY.

The field man has boundless opportunities to advertise his company, which, if properly taken advantage of, will produce magnificent results. The quality of the goods is very largely gauged by those who represent them, and we may metaphorically say that field men are our samples. They should be animated ones, and not get shop worn or rusty. "Keep your head up and tail over the dash-board." Impress the name of your company upon every pliable mind, but do not over-do it and talk insurance when every one else in the crowd wants to talk about the bond issue or the international prize fight.

Let us exercise the same judgment in advertising that we do in other business details, abolish the stuff that is worthless and aim to get full value for the money expended.

AMOS F. SEWELL.

The Chairman—The hearty applause which has greeted Mr. Sewell's paper is expressive of the appreciation with which it has been received. I think there is a great deal of sterling sense in it.

Mr. Edwards—I had an agent once—he was a prominent agent in the country. He had not been giving me much business, and I reminded him that he had represented the company a good long while. He asked, "Which one of your companies do we represent?" I said, "The Manchester, I think." We had issued some large blotting pads, and this agent had one of those right before him, and it was worn out, and he did not know what company it was.

The Chairman—The next paper is "The Special Agent from a Local Standpoint," by Frank D. Brown, of Phillipsburg, Montana. He has requested J. T. Fogarty to represent him, but as he is not present, Mr. Geo. Grant has kindly consented to read the paper.

#### THE SPECIAL AGENT FROM A LOCAL STANDPOINT.

The request emanating from your honorable body that I should prepare for its perusal a paper entitled, "Special Agent from a Local Standpoint," fills me with dismay and apprehension.

Since the reception of your communication to this effect of one year ago, I have studiously avoided the slightest reference to the appalling task thus (I trust) unwittingly imposed upon me. In pursuance of the intention to forget I have permitted the days and months to elapse in the confidence that your mandate would not be insisted upon, to the end that your servant would be permitted to enjoy uninterruptedly that piece of mind which blessed his existence ere such disturbing influence came to mar and perplex the delightful serenity of his Arcadian life.

But I see that I am not permitted to escape the administrative process. That the fiat of your honorable body hath gone forth; that I must say something, and that nothing is left me but to obey. Yet, while I philosophically accept the condition which confronts me, yet I beg your kind indulgence. In no other moment of my long and eventful life on the frontier have I been confronted with so impossible a task.

Had I an enemy, born with a rancor of years of venomous and deadly hate, I could not conceive of a more diabolical revenge than he might take by simply "pushing along" the task your honorable body, in its wisdom, has seen fit to thrust upon me. And should I attempt it, how could I act with discretion and discriminating impartiality?

Feeling, as I do, what else than good could I say of the nervy, bright and generous gentlemen who for so many years have represented the Pacific Coast companies in Montana?

#### PERSONAL MENTION.

What reference other than the most exalted could I address to that portly, dignified representative of the Liverpool & London & Globe, Fred O. L. Buck, Esq.? He is the Nestor of all of the knightly band to this office, and the shadows now creeping somberly over the western slope of the massive range that environs my humble home, also enclose and fall upon the habitation of my only Eastern "special."

But, shall I forget Joe Webber? Courteous, affable, delightful Joe Webber.

I look up at the dear familiar faces on the wall and think of the long years ago. I think of Bernard Faymonville, Broomell, Sinclair, Washburn of the North British, Burke of the Royal, Niebling of the Commercial Union, Speyer, John T. Fogarty (who may God help and forgive), and—but why continue? Personal mention is ever invidious. I could sit here in this twilight hour and recall names that have ennobled the profession of underwriting. The names of men who have made the business of the companies whatever it may be to-day, and I only wish that their faithful services have been as fully appreciated by the "home office," as they have been by the "locals" scattered throughout the great Northwest.

And now, most honorable gentlemen, I affirm that the best and most excellent of all male humanity that ever crossed my path have been the special agents of the great insurance companies represented in my office



and in Montana. Having said this, my story is truthfully told, and the task of recital properly finished.

And yet I do not care to lay down the pen. How lovingly I like to dwell upon the story? How rich in memories that cluster about my heart are those associated with my school boy days in insurance, days when the office portfolio consisted of an application book, a block of writing paper and some addressed envelopes.

#### "THE TIGER."

And this block of writing paper? The lithographic work of the "Tiger" was irreproachable in point of abundance and execution. The terrible scenes and events pictured to the unfortunate who "did not insure" was not however the crowning feature. Underneath all, in large, handsomely arranged type, the news was blazoned forth that Frank D. Brown of Phillipsburg, Montana, was the only authorized person in the town of Phillipsburg, Montana, to do and perform those things incident to insurance therein.

Shall I tell you how much of that letter paper was devoted to writing highly pictured accounts of frontier life to my Eastern relatives? Shall I tell you how in the most ostentatious manner possible I declared upon every conceivable occasion that the great companies, of which I was the recognized agent, were, beyond cavil or dispute, the most powerful, the wealthiest and most reputable in the wide world? Shall I try and illustrate the gravity with which I would scan the outside of a building for defects, or with what grave and business decorum I would stroll through one of our business houses and mentally inventory a stock that for volume, extent and variety would well puzzle the best adjuster that ever lived? "Not on your life." Many of you have been there. "You know how it is yourself."

And, so, in those halcyon hours no one was there so proud and enriched in position as I. I was exact as to values, etc. I was very critical as to the "moral" and "physical" hazard, and I am as crude and as unsystematic in diagramming now as I was then. But, withal of this, I know more now. One of the things I know is that there is not so much guessing now as there was then; for this may God bless the special agent.

#### MY FIRST SPECIAL AGENT.

But the day passed, and Phillipsburg arose out of the chaotic condition of the log dwelling, and its less pretentious neighbor, the "dug out," into the well built town, with its water-works, electric light plant, churches and municipality. With these advances of an effete civilization came my agent's commission. There also came as the bearer of this most important credential—the envoy extraordinary, as it were—of the Hartford and Commercial fire insurance companies, my first special agent. At last the time had come when I could issue my own policies. An epoch in my own life, verily. The consciousness of my superiority above my fellows possessed me from that moment with such an overpowering sense of my importance and dignity, that no position of honor or emolument since bestowed has been able to efface.



This memorable occasion also permitted me the opportunity of getting decorously drunk. I do not now recollect if Webberfell by the wayside or not. But there is one thing I yet remember well, connected with the hilarity of that evening, and it is that its cost far exceeded my premium receipts for that year. This feature of the entertainment, however, never to this day has interfered with the delightful memories associated with the first hours of my "first commission." And when the following morning I hung the beautiful insignia of my "authority to act," in gilded frame and glittering glass, upon my "inner wall," then, indeed, was I exalted above men.

#### SOUVENIRS.

These souvenirs of a dear past yet hang upon the wall. They look as fresh, as bright and as important as they did the first day long years ago. Gentle hands keep them clean, and the myrtle and ivy droop each Christmas tide about them. Out of the shining glass well remembered faces look down upon me, that smilingly greet me in my hours of trouble and sorrow, that rejoice with me in my time of prosperity. Around and entwined about these familiar faces, in the twilight of beloved days ago, enter thoughts of gallant gentlemen whose kindly patience, genial and affable manners laid the foundation of my knowledge of underwriting—the special agents.

In the dim and shadowy distance I can also see the "Old Man," Carpenter, Grant, Belden, Cofran, Laton, Dornin, Sexton. I know them all. Why should I not? I was first introduced to them by the special agent. And then after this became a recording office what a host of good fellows came after? I fear to particularize. I dare not, cannot trust myself to recall the names of those, who rich in the lore of underwriting, have sought rest and tranquility in Sleepy Hollow since the days of Webber, Faymonville and Buck.

Over in the cosy nook beside the stove rests the grand old arm chair. Its very tranquility is inviting, and its soft and luxurious cushions seem to sink under the weight of some invisible special, who (I can imagine) from an invisible slip is mournfully computing his reduced premium account from this office for the year 1895.

And I, of all men, have been selected to write the "Special Agent from a local Standpoint." Well, I will not attempt it. Such a world of labor, and I past the meridian of life. It is not human, most honorable gentlemen. The field is too vast and inexhaustible. No, my masters, upon worthier shoulders throw you the load. And yet I owe a debt of gratitude to the special agent that even a good word cannot repay. I shall at least say something.

#### THE SPECIAL AGENT.

The special agent hath a personality peculiarly his own. As a rule he is nonchalant, and as a fact he is always at ease, even when discussing the surplus of a rival company. He is conventional, very approachable, an agreeable conversationalist, and generally possessed of a wealth of informa-

tion on the prevailing topics of the day, particularly those which for the time being are before the public.

He drifts into the office of the local, with an easy *insouciance* which does much to displace the novelty attending an unusual arrival. He is at home, and the resident officer not only expresses the greatest delight at seeing him, but surrenders the premises in the hope that its general arrangements may not prove unworthy of so distinguished a guest.

But with his advent there is no disarrangement of the local's affairs for a moment. "Don't let me disturb you, my dear fellow," is the quick and hearty admonition. Straightway the grip is placed in the rear room. There is the touch of the wisp here and there over well made apparel to destroy evidences of recent travel, a newspaper, and then, rest and repose in "Sleepy Hollow."

Should a visitor drop in he is astonished to find himself in the seat of honor. The special lays aside the newspaper. There is an animated discussion over something political, social or financial. The business man consults the local on the subject of his visit, then the parting salutation, and the office holds but two again.

"Well, old boy, how are you?"

There is nothing very peculiar or remarkable in this form of social address. Any one can apply it. But the expression of feeling which accompanies it when uttered by the average special, is as indescribable as the sense of his presence when he first enters upon you. The local makes the usual conventional reply. His hand is numb.

#### THE OLD MAN.

"Well, sir, I'm always glad when I get around this way. Was talking about you yesterday, 'pon my soul. You people up here are great. Western through and through, and my kind all of the time, sure. Town going right ahead, too. Noticed it coming up. Enterprise here, you bet. Didn't know the place as I'm a man. Our losses in Montana far ahead of premium receipts, though. Makes the home office smile when I speak of that. However, 'nothing too good for our Montana folk,' says President Blank. Don't you know (and here the voice of the special grew seriously thoughtful), I honestly believe the 'Old Man' likes to pay a fire loss in this State. Upon my soul I do. Just that kind of a man, damme, but (and here the voice grows reflective) there are others over him. He's sensitive to beat h—ll. He ups and toes the mark of course. He's the finest gentleman you ever met. Knows a good man too at sight; that's just why he holds such men as you in high esteem. Too often he has said to me, 'Brown's all right. Brown is conservative. His judgment goes with me every time. His style of doing business is just—'"

The local breaks in for a moment. "I really feel gratified," he observes.

"Don't mention it. The best in the land." (Here proffers a cigar.) "No? Well, I indulge sometimes. Vile habit, certainly, but, as I was saying, the Old Man, when I was leaving 'Frisco, told me on the quiet to tell all of you fellows in Montana that if he didn't get an outing this year to pay each one of you a visit, and to renew old times with the boys up this way, that he be damned if he didn't quit the business. Yes, sir; these were his very words, as I am a man," and the special fell back in his seat, with a glow of righteous indignation upon his face.

"I had no idea the home office had so much to do," sympathetically remarked the local.

"Have much to do? Bless your soul he has oceans of work. Just oceans of it. He is inundated with it. A thousand matters daily, on my life. Its grind, grind, and grind from morning until night. Works fifteen hours a day if a minute, and " (here the voice grew reminiscently meditative) "I honestly believe if he did not relieve the monotony of his existence by sending you fellows an occasional official congratulatory circular, or getting up a tinted 'D. R.' commemorative of some auspicious event in our grand old company's history, he would not live a year."

"Is it possible?" exclaimed the local.

"Indeed, it is so. A very bright man; very," remarks the special, as he looks down the street.

"Quite so. Very much so, indeed," assented the local.

"A resident, I presume?" continued the special.

"Oh!" exclaims the local, in a tone of surprise; "I thought you referred to the home office. Yes; he is one of our wealthiest business men; also insured in the Tiger."

#### THE WHITE METAL.

"My dear fellow" (and here the voice of the special grew warmly confidential), "I could see that at a glance. Know 'em at sight. The man is all right. Needs no endorsement from you, not a bit of it. One in a thousand. Intelligent and sensible, too. Damn close reader—anybody can see that. Smart as a steel trap. You noticed how he nailed me up on silver, but I was with him every time. Hewed right to the line. Did you hear him—'16 to 1?' wouldn't it kill you? Say; well, the Old Man told me, as I was slipping off, he says, 'You tell all of the boys that I'm with 'em in the fight for white metal. Just what the 'Old Tiger' wants. Rather have it than gold, because the people get right hold of it again. That's the Old Man, and he's great! and (here the voice grew exultant) our whole office staff feels just that way," and the special fell back into the cushions beaming with smiles.

"But your company is English, you know?" observed the local.

"Right you are," replied the special, arising from his seat and pacing the floor hurriedly. "You see you people don't know just how old England is fixed. It wants silver worse than anybody. This is right. Got to have

it, and in car loads. She has got to have such a h—ll of a lot of it, my dear fellow, to run her India business. Don't you know (and the voice grew reflective), "if she didn't buy cheap her gold wouldn't hold out. Its a fact, as you are alive. I know it. So does Blank. What does he say, 'Let her slide; the Tiger ain't in this fight to take none the worst of it.' On my life, these were his identical words. I was astonished. I said, 'you are with us?' He says, 'If there is a man around this ranch that refuses silver as a circulating medium, show him to me. I'd fire him if I had to cancel every dollar of business I had on the Coast.' Now, what do you think of that? Didn't the Old Man declare himself? Right you are. He says: 'The money bags of Europe can go to the devil. Say to our boys, send on the silver. The Tiger takes it at par and glad to get it. Would rather have it than gold any time.' Now that settles how we stand, doesn't it?" and the special stood over the local and waved his hand triumphantly.

"Well, I'm glad President Blank has the courage of his convictions, yet I expected him to be with his people in sentiment. I heard Mr. Smith, special of the Hartford Panther, express the opinion that the Tiger was a confirmed Gold Bug," and the local looked inquiringly at his vis-a-vis.

"Well, I like that. Say, I know Smith. Look here, Smith's a gold man in California, a silver man in Montana, a copper man in Michigan, and an iron man in Missouri. This is right. Fogarty and myself came damn near lynching him at Garrison for his duplicity. On the fence all of the time. Fogarty wouldn't ask him to drink even, and, with Fogarty, you know what that means. Bless my life! Panther first-class company, too. Solvent as a dollar; small surplus, dead safe. Fine people, but should unload Smith. Yet," (and the voice grew hopeful) "Smith, while something of a liar, is after business. Really ain't a bad fellow. I know him well; not a mean thing about him, but will lie; can't help it. Blank says it's a disease. The fellow is a silver man all through. Just talks that way for effect. Don't you think so?" and the special looked appealingly at the local.

"I've no doubt of it," was the reply.

"No better American company than the Panther, I'm sure;" observed the special patronizingly.

"Will you take something?" asked the local.

"Yes, certainly, but with me. How very forgetful, to be sure. Blank has said a thousand times, 'Jones, you'll lose your head some day,' and he's right. You know where there is something good. Next to San Francisco for whisky, I say give me Phillipsburg. Nothing less than '86 goods." With this the special gathers his hat and smilingly leads the way.

During all of this time mention has not been made of the office business of the company that my genial friend certainly honors by representing. While en route to the saloon he makes no inquiries about risks, and does not stand meditatively before the business house of some assured, pencil and slip in hand, the cynosure of all eyes, exciting attention and advertis-



ing his business. He is chatting away and sawing wood. He is confining himself for the time being to a strict observance of the amenities and to making himself very agreeable.

#### AT THE CAFE.

His visit to the "cafe" is a constant recurrence of pleasing events.

He won the instant admiration of the white robed attendant by the deliberate and systematic manner in which he decanted just the right amount of fluid into his glass. His Chesterfieldian address when soliciting the company of "your friends" at the bar, paved the way for a few business men conversing near by to know just the man they were looking for. His stories, trembling, as many were, upon the verge of decorum, were racy bits of narrative, well selected, and told in the way that indelibly impresses, and finally, when he had passed from one subject to another without undue haste, he approached that in which he was a master, and by cogent reasoning and well timed reference succeeded in bringing into the agent's fold some one of his hearers who, thus far, had been indiscreetly carrying his own insurance.

Is it necessary for me to continue and tell how we looked the town over; how he praised the register and the careful disposition of the Tiger's stationery files; with what sincerity of grasp he shook the local's hand and declared that everything suited him; how he walked the village over, saw every risk, commented upon an excellence here and defect there, attracting no attention, but permitting nothing to escape him? Yet all of these things he did—and more. Patiently would he go over Rate Book 4, and initiate the local in its mysteries. He knew everything about it. He would not recognize a blemish in the local.

"Brother Brown, this infernal book would tie up the best insurance man that ever lived. It's an abomination as I live, but—here you are—this is your rate. Simple, but damned hard to find if you 'ain't on to it.' You've just got to get down and learn her solid; the only way; I had to do it. Try her on for two days. It'll astonish you what an insight you'll get in the business. After working at her two days, keep pegging away in spare time. She's a bird, sure." Brother Brown has been set right. He has learnt something he desired to know badly. He has not been humiliated either, and with a fervor past description he registers a mental vow not to forget the "Old Tiger" the next time new business comes around—and he doesn't, either.

The special has gone. Associated with a well remembered presence, there will linger about the office for days to come fragrant memories of the Tiger Fire Insurance Company of London, Eng.

#### SLEEPY HOLLOW.

Time flies. Again the prominent citizen drops in and seeks repose in Sleepy Hollow. He chats awhile and talks business, he then grows reminiscent.

"Fellow hasn't been around since?"

"Who?" inquires the local, looking up.

"Insurance man. Some English company. He's American, however. Here last summer. Hell of a nice fellow, smooth talker, bright as a dollar, and a 'good looker,'" responded the visitor.

"Oh yes, Smith, of the Tiger. You met him, I remember. Silver man to the bone, too. What do you think of Cleveland?" and the local looked interrogatively at the visitor.

"To blaze with Cleveland. Give me \$2,500 additional on stock in the Tiger."

Again the local is alone. He lays down the pen, and looking at the retreating form of his patron disappearing in the distance, meditatively observes, "Bread cast upon the waters will return after many days."

"You should quote that correctly," speaks up the old arm chair. "I am afraid that you are better posted on Rate Book 4 than the Holy Bible," it continued.

"Sufficient for the day is the evil thereof. I'm an insurance man and not a preacher, Sleepy Hollow."

"Then get out an rustle enough to fill up that cancellation of last evening. Insurance and idleness go not well together."

I am as garrulous and as voluble as an old dame. It was quite plainly my duty to write the "Special Agent from the Local's Standpoint." I shall prepare myself for the task, and at the next meeting of the Fire Underwriters' Association of the Pacific I shall be ready with a paper that will commemorate the virtues and excellences of my charming friend. This is my resolve; so my masters, most honorable gentlemen, I pray your clemency.

FRANK D. BROWN,  
Agent.

Mr. Folger—In view of the fact that Mr. Brown is not a member of the Association, I move that the Secretary be instructed to write him the hearty thanks of the Association for his paper; and that a copy of the proceedings be furnished him when they are printed.

(The motion was duly seconded and carried unanimously, after which the Association took a recess until two o'clock, P. M.)

## AFTERNOON SESSION.

2 O'CLOCK.

The Association was called to order at the above hour, President Driffield in the chair.

Mr. Osborn then read the report of the Committee on Mortgage Clause, the Chairman, Mr. Lowden being still absent.

## REPORT OF COMMITTEE ON MORTGAGE CLAUSES.

## MAJORITY REPORT.

*Mr. President and Gentlemen:—*

For a number of years the mortgage clause has become so modified by the introduction of objectional clauses and conditions, that at the present time the forms in vogue are deemed absolutely dangerous and calculated to invite continued controversy. The subject was referred to a special committee for the express purpose of making a thorough investigation as to the different clauses in use, what interpretations the several courts of this country may have given such forms, and the general practices surrounding their adoption and use; and while your Committee is unable, at this time, to render a report eminently satisfactory to themselves, yet we feel constrained to add that it by no means indicates a lack of attention to the subject entrusted to it. We have reviewed many of the decisions of the appellate courts of the country, and are free to confess that the alarming rapidity with which these decisions come upon us, is sufficient to challenge the attention of underwriters in this direction, for we observe that the trend of such decisions is to favor the money lender as against the insurer.

The present disturbed and unsettled condition of affairs on the Coast, and the absence of organization, suggests to our minds that it is next to impossible to legislate on this question. We at least believe that it is at this time inopportune.

However, a summary of the important objections to current forms may interest the Association: First, is the right to assign the mortgage to successive mortgagees without notice to the company; secondly, the use of the

phrase "as its interest may appear," the term "interest" being so exceedingly comprehensive as to be a dangerous word to incorporate without qualification; thirdly, the absence of a cancellation clause; fourthly, a failure to incorporate a clause for contribution; and fifthly, an objection that is not shared in by all, which, however, we think more or less dangerous—the permit to foreclose and give notice of sale, etc., without permit from the company. We concede the merit of much of the objection raised by the money lenders to the elimination of these features, yet we firmly believe that the company itself should have the greater protection because the mortgagee is supposed to be amply protected in the value of security apart from the question of insurance.

Your Committee repeats that it finds the present time inopportune for the adoption of any remedial measures in this direction. We do think, however, that as this is an extra concession for the granting of a special permit and alienation of certain rights on the part of the company, that the company should receive valuable consideration for the same, and we therefore recommend that if it be impossible to agree upon any special form, that an additional charge should be made in all cases where such forms are insisted upon. If risk "A" be worth \$1 free from encumbrance, and covered by a contract, included in which are all the safeguards prescribed in the policy, should not risk "B" that is protected by a policy waiving those rights and safeguards, be worth more? It is a logical conclusion, and we believe that this suggestion will be the more practicable, and will more effectually solve the problem entrusted to us.

Respectfully submitted,

W. H. LOWDEN, Chairman.

R. W. OSBORN.

The Chairman—This report is dissented from by the minority report, which Mr. Sexton will read.

Mr. Sexton—I am the man that the committee would not agree with. I have not the usual apology to make, namely, want of time. I had two years. The first six months I was ready to report a clause that would agree with everything and be agreeable to everybody; but at the end of the year I weakened on it, and I have been weakening ever since.

(Reads Minority Report which was received with applause.)

## REPORT OF COMMITTEE ON MORTGAGE CLAUSES.

### MINORITY REPORT.

*Mr. President and Gentlemen:—*

I regret that I cannot fully agree with the majority report of the Committee, and beg to submit a Minority report.



Your Committee took hold of this mortgage clause with the usual vim of reformers powerless to reform, and after two years work discovered the utter powerlessness of this organization, when pitted against money-to-loan and risks-to-please.

That part of the Majority report which says that the mortgage forms, in vogue, invite controversy, is not concurred in by this minority, for the reason that there can be no controversy, as the Mortgage forms referred to supplant the policy with a new contract, and any claim made by the mortgagee cannot be controverted. They are too much like the Arizona man's denial of quarreling in his country. He said that sometimes men were killed, but there was no quarreling. Also, the charge that the decisions of the appellate courts favor the money-lender as against the insurer, is not agreed to, as this minority is compelled to say that the decisions of the courts invariably follow the contract that had been substituted for the policy, and the error lies in underwriters going into court and basing their contentions on an abandoned contract, to fight a substitute on which the premium was accepted and loss payment refused.

Your minority quite fully agrees with the majority on the "objections" as stated in the report, but as all of these are incidental additional chances of paying a loss, and can only add a percentage to the hazard, and as this percentage must be included in the rate, there can be no more regrets in paying a loss caused by such incidental additional hazard, covered by the mortgage clause substituted for a policy, than to paying a loss occurring under the regular or original policy contract, as underwriters will not accept such additional hazard without an additional rate.

Your minority would further report that, while he has great respect for the abilities of the members of this Association, and fully acknowledges and appreciates the great good wrought by the organization in moulding the details of insurances practices, and thereby rendering most valuable assistance to the profession, yet, he must say that he regrets the want of legislative power, through which a proper form of mortgage clause could be presented and enforced; and as, at best, our acts can only be advisory, he begs to suggest that—as underwriting, at this date, means putting liabilities on the books, compensation therefor being a secondary consideration—any suggestion in the direction of getting paid for the risk assumed, might not be kindly looked upon, and we had better stick to inspections, collections, local boards, adjusting and such details as come under our direct supervision and control, and continue to make rough ways smooth and crooked things straight, do our work according to instructions, adjust our losses according to contracts, and fight shy of the question of the right of companies to adequate rates, until the clouds roll by.

Respectfully submitted,

WM. SEXTON.

The Chairman—Gentlemen, you have heard the reading of both the majority and minority reports. What is your pleasure concerning them?

Mr. Kinne—I move that the minority report be published in connection with the report of the majority.

(Which motion was duly seconded and carried.)

Mr. Sexton—As there does not seem to be any particular point in either of these reports to be acted upon, I think that a motion that both reports be received, and the committee discharged would be in order, and I therefore make that motion.

(Which motion was duly seconded and carried.)

Mr. Geo. D. Dornin—It seems to me, Mr. President, that such reports would be effective if they were printed in pamphlet form, and if the treasury of the Association can stand it, I move that they be printed on leaflets, and circulated among the members.

Mr. Osborn—Mr. President, I think it is the intention of the committee to publish a more amplified report. This report was somewhat crude, owing to our inability to get at sufficient data. It is the desire and intention of the committee to make a report more in form. While these reports show the result of the committee's work, we do not want them to appear in the report in that form.

Mr. Dornin—Then the committee should be given further time.

Mr. Folger—I am not in favor of the committee having further time, for I favor the views contained in Mr. Sexton's report. In view of the remarks of Mr. Osborn, I believe that the committee should be empowered to add anything further to the report that they may wish to.

Mr. Kinne—I made the motion in good faith that the report of the minority should be published in our proceedings together with the report of the majority. I hardly think it proper to refer it back again, to be added to or taken from. It seems to me to be an entirely improper thing to do. As Mr. Sexton has said, the committee has had two years to think this thing over, and if they desire to present it at all, they should present a mortgage clause at this meeting. Then other members might give their ideas, as to whether

they think that is the best clause or not. I think the report of the majority and the whole matter should remain as it is, and that the report of the minority should remain just as it is. I did not move to discharge the committee, but I would say, let it continue, and if they have something more for next year, all right. But to make a partial report, and later submit something of an entirely new nature, seems to me to be an improper method.

Mr. Folger—I ask leave to withdraw my former motion, and in place of it, I move that in view of the character of this Association, it is not within its province to formulate or take action upon a mortgage clause.

Mr. Watt—I second that motion.

Mr. Argall—In some cases, it seems to me, there have been considerable irregularity in our method of taking action on committee reports. I think that when a question is passed over to a committee for consideration and report, and their report is in due course handed in to the Association, and accepted, the Committee's report becomes the property of the Association, and that it then devolves on the Executive Committee to take such action as may be considered necessary. Mr. Folger is of the opinion that action in this particular matter is not within the province of the Association. It seems to me it is distinctly within our province, and, as I took occasion to say in my remarks of this morning, I feel it is not only our duty but our privilege to educate people in connection with these matters. Insurance matters on this Coast need a power behind the throne, and it seems to me that this Association is precisely the power that is needed behind the throne of the executive managers. It is for the Executive Committee to form a decision as to taking the initiative in any missionary work that may be necessary in order to bring about a required reform. I am heartily in favor of having the matter go to the Executive Committee if that be in accordance with our rules.

Mr. Osborn—I think Colonel Kinne has misunderstood the idea.

This report has merely been received and placed on file: there is no adoption of its ideas.

Should this committee be continued, an amplified report could be rendered in which all of the facts and data now in the possession of the committee would be incorporated therein. We do not claim the right to supplement this report with another not being read before the Association, and if we are discharged shall of course deem this the final report.

Mr. Sexton—This committee kept at work on this thing, and had experience in the different offices, and looking at mortgage clauses. There is no question that either member of this committee, or any two, can make a mortgage clause that would be entirely satisfactory to the insurance companies, or that would follow the form of the clause of the policy; but if they did so, it would be of no legal force. In a recent case where other insurance was taken without notice, the court decided that the total loss should be paid to the mortgagee on the ground that "no act of the insured should avoid the payment or void that collateral security." The court went into the matter further, and held that the security held by the mortgagee was collateral security. For my part I did not feel like trying to get up anything that the companies did not want, and courts would not endorse; but once in a while I think that there is a case like this that is a waste of time, and that is the reason why that minority report was presented. When we undertake to legislate on something that a man who runs his own business does not want and won't have, I get discouraged.

Mr. Folger—In support of my motion, I would not put the chairman of the committee on special mortgage clause, Mr. Lowden, as second to anyone. He has had the matter in hand for two years. He has been seconded by the chairman of the Executive Committee, thus combining the two, and also by a gentleman who has certainly had as much experience as any in all departments of insurance work; and he has just confessed his inability to cope with this question. If it be possible in this Association, to formulate a clause



which can replace the clauses now in use, I should favor the continuance of such a committee; and I made this motion with the idea that, if the Association think it be possible to have such a clause, the motion would be lost. If the Association believes that we must continue to use the packages of mortgage clauses which we all have in our offices, furnished by the various mortgage companies, and cannot substitute ones of our own, it is not worth while spending our time to get up something that we cannot use.

Mr. Watt—I seconded Mr. Folger's motion, for the reason that we are simply wasting our time now discussing it. We cannot do anything with it. It is out of our province. Peculiar theories are here placed, and some of us agree on the question of a proper mortgage clause; but about the time we have concluded what we want ourselves some one says, Why, some life insurance company will draw up a clause that they will accept, and while you or I say we would not accept it, some of the others will. A form of mortgage clause was sent out by our head man in the United States, for approval or disapproval. I presumed he was inviting criticism, and I gave it fully. The answer was that the points were well taken, but the ultimatum was, either take that clause or leave the business alone. Some attempt had been made to get the unanimities of the companies in New York, and he had expected that of every company, but he said, "Our way is to decline to take the risk with this clause. Where known that theoretical objections are likely to arise, take it, and if they do not, take it. To do something to the rate, where the clause is not satisfactory to the Association, is what is desired.

Mr. Edwards—I would like to have the Secretary read the resolution offered by Mr. Folger.

Mr. Folger—My resolution was that it is the sense of this Association, that in view of the character of the Association, it is not within its province to formulate or take action upon a mortgage clause.

Mr. Edwards—I shall oppose that. This Association is organized for the purpose of considering every question pertaining to insur-

ance. We may not formulate a clause, but we may discuss it, and it is a subject for discussion here. We do not want to restrict ourselves to anything. When this Association was first formed it was formed with the idea of having a committee appointed on all subjects; and there was a committee appointed by the Chair on policy forms; and that committee read a paper on the subject for which they were appointed. The fundamental principle of this organization is to discuss any and all propositions relating to insurance. And I do not want to see any resolution passed here limiting that power. If the gentleman pleases, he may say, "I don't think it expedient to formulate a mortgage clause at present."

Mr. Folger—I accept that amendment.

Mr. Argall—My idea is that we want to head off any formal statement coming from the Association placing limitations on its functions. In this case, some two years ago we appointed a committee whose functions were to discuss and report, and having done so, their report becomes the property of the Association, and it is the duty of the Executive Committee to act upon it or not to act upon it, as they see fit. Having once appointed the committee, I think it out of place for the Association to pass a resolution that is beyond our province to discuss the question. The Association should receive the committee's report and place it on file, and then it becomes the duty of the Executive Committee to decide whether or not it is proper to take action. That is my point.

Mr. Kinne—It seems to me that the adoption of the original motion which I made was carried, that both the minority and the majority reports be published in our proceedings together, and that that has accomplished about all the good it can accomplish, and it must stop there, unless you will put the right of making the mortgage clause that we have not had presented to us, in the hands of the Executive Committee, to have presented as it pleases, and inserted with any phraseology it pleases. But it is not within the province of this Association to formulate and adopt a mortgage clause, because we have no power to compel it to be placed on our policies, for the

people that loan money would not buy our goods. When you get up a standard form that will be adopted by every insurance company, and they will unite on it in actual practice, then it would perhaps be practical.

Large organizations of all kinds that are loaning upon real estate insist upon a certain clause. I don't believe we can change the clause without refusing to sell the goods, but as it is, if we refuse to sell, the other fellow will, and we are bound to follow in his footsteps. As to adding a certain percentage, it looks well in print, but it is utterly futile.

I think we will have to say what Mr. Folger intended in his resolution; first, we have nothing to consider, because we have no clause; second, if we had one, we could place it before nobody except our own managers, and request them to consider it and think well of it, and that is all.

I have been engaged in the insurance business thirty years next May, and I have learned that you cannot kick against the pricks, and it is no use to throw ashes to windward. As has been said here to-day, different companies such as, for instance, the New York Life, and the Mutual Benefit Life, have so centered insurance in the different circles in New York, that they have compelled the managers of the various companies formed in the United States and abroad, to consent to their mortgage clause. They are sent out to us, and we naturally are compelled also. They have done it, and therefore we do it. But for us, on this particular Pacific Coast, in these terrible times, to inject something new and send it on to the other companies, and ask their endorsement of it, and then to the headquarters, is an entirely futile matter, and a waste of time.

Mr. Folger—I believe we have the right to discuss anything which has to do with the good of the insurance business. As to the mortgage clause itself, it has been in the hands of the best committee which could have been appointed; it has reported, and been discharged. I am still of opinion that nothing can be done by the Association on the question, inasmuch as the committee has failed;

and I therefore move to lay the present resolution on the table.

(Which motion was duly seconded and carried.)

The Chairman—We will now hear the report of the Committee on Constitution and By-Laws.

Mr. Osborn—We have presented a report embodying such changes as have been made since the last annual meeting.

The Chairman—It will also contain the Adjusters' charges adopted at this meeting.

The Secretary—It also contains all the amendments since the last book was printed.

Mr. Folger—I move that the report of the committee be received, the committee discharged, and the report inserted in full on the minutes.

Carried.

The Chairman—I find that I have omitted a number upon the programme, which is the report of the Committee on Re-insurance Clause, by Mr. Geo. H. Tyson.

Mr. Osborn—Mr. Tyson could not be present, and as one of the committee, he asked me to read this report. (Reads:)

#### REPORT ON REINSURANCE CLAUSE.

*Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—

Your committee on the reinsurance clause begs to report progress, so to speak.

Owing to the disturbance in insurance matters on this Coast during the year just passed, we have found it impossible to give the necessary attention which this important clause merits, and we beg to say, in explanation of the clause submitted that it is brought forward in order to draw forth discussion, and not as a final clause.

The clause submitted is as follows:

“This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments, expenses and payments as are or may be taken or made by the reinsured company, and the liability of this company is hereby limited to . . . . . (5-10) of the amount paid by the reinsured company under this policy.



“It is understood and agreed that, in no event shall this company be liable for more than amount mentioned in this policy.”

The necessity of a change in the various clauses now in use is well known to all of us, it having been recently decided by attorney Van Ness that, when Company “A” reinsures \$5,000.00 of a \$10,000.00 policy for Company “B,” and just prior to a loss Company “B” has cancelled \$5,000.00 of its policy, Company “A” will have to pay the full amount of the loss, namely: \$5,000.00, which we think all underwriters will agree is not the intention of a reinsurance contract.

Respectfully submitted,

GEO. H. TYSON,  
Chairman.  
W. H. LOWDEN,  
B. FAYMONVILLE,  
R. W. OSBORN,  
T. E. POPE,  
Committee.

Mr. Kinne—I would like to ask the committee if they gave any consideration to the subject of the desirability of placing in that re-insurance clause anything pertaining to notification from the insured company to the re-insuring company, of matters of endorsement, or anything of that kind? This is a matter that by proper recommendation to the managers in this city can receive some attention, because it is a matter between ourselves. It is my idea that there should be something in the clause by which the company which is re-insured should notify the company that reinsures them, of the fact of a transfer from one locality to another. For instance, if Mr. Butler has a ten thousand dollar policy, and gives us a five thousand dollar reinsurance, and the owner of that property transfers it into a warehouse, when we have a full line already, it seems to me that Mr. Butler should notify the Liverpool & London & Globe of that fact. The clause, however, reads that it is subject to all transfers or endorsements made by the re-insured company. Again, a prohibited risk might be on our list, and not be in that of some other company which we re-insured. If they transferred a certain lot of merchandise or machinery into a steam planing mill, we could not carry it. It is on our prohibited list. But if we follow that clause, then the re-insurance which we have had in one locality is

transferred by the re-insured company into a risk of that kind, or into one exposed by it, and we are then forced into something we should not be, and perhaps for eleven months we are carrying a risk in a hazard that is prohibited. If that subject has received consideration, and it has been found useless to insert it, I desire to know it.

Mr. Osborn—I desire to say that that point received considerable attention, because, from more or less correspondence between the Chairman and the managers of this city, we found that many of them objected to having any particular number of days in which they must notify the company of any changes; and they cited the past year in which it would have been impossible. The committee made further objections, and thought that these hard times may never again occur, but if they should, notice could be sent to the offices, agreeing to waive that particular clause. Receiving those objections, the committee again reconsidered it, and merely waived that. The elimination of that feature was planned and deliberate. We had a clause, which I will read to you, but which does not form any part of the report, which refers to that. It is as follows: "This policy is subject to the same risks, valuations, conditions, transfers, endorsements, adjustments and payments as are, or may be assumed by the re-insured company, and the liability of this company is hereby limited to its proportion on each item as herein re-insured, not exceeding the amount named in this policy. And loss, if any, thereunder, is payable pro rata with the re-insured at the same time and place, it being understood and agreed that within ten days after the receipt of any transfer or other endorsement made by the re-insured, this company shall receive notice and copy of same; otherwise this policy shall be void. Other re-insurance permitted, subject to the aforesaid conditions."

Mr. Kinne—It seems to me that is one of the most vital things to be inserted in a re-insurance clause, and one that should be considered by this body. I am in favor of adopting the second clause, instead of the one reported by the committee.

Mr. Butler—With regard to that second proposition, if it is up for discussion at all, I think it is better to have it distinctly under-

stood about the transfers than to have any clause relating to the payment of losses. I should deprecate exceedingly dragging into any re-insurance agreement anything in connection with the payment of the loss. It is bad enough as it stands now. The re-insurance contract should be about the same as the policy to any one desiring insurance, and I think it is quite palpable that abuses might arise in the way of payment of losses, if there was an iron-clad rule relative to the loss being paid by an insured company, as paid by the re-insuring company. I can cite an instance showing this. When nearly all the companies in San Francisco agreed not to pay losses under sixty days, a company that had not signed that agreement met with a large loss and paid promptly, instead of waiting the sixty days, and it happened that several companies had re-insured a portion of this liability, and also had policies of their own on the property. The result was that they had to give the company carrying a large line, and re-insuring, all the glory of paying up the cash, while they stood back on their sixty days, and could not pay the loss until the term expired by which they were bound. That is one very good argument in favor of letting the loss alone when you are dealing with the re-insurance clause. The remedy is easily found. The contract is taken out for the purpose of obtaining payment for a certain proportion of the loss incurred when such loss does occur; and as to the company that you re-insure with, you do it with your eyes wide open to the standing and reputation of such company, and I don't think they need to be bound by the standing of the re-insuring company. When they pay their insurance they take their chances of a ready settlement. I should object very much to anything going into a re-insurance contract, governing the claim for payment of loss.

The Chairman—I think Mr. Butler has misunderstood the report of the committee. It makes no provision as to the term of payment by the company re-insuring. The second proposition is not before the committee. The first form submitted is submitted with the idea of having the same proposition of liability attach at the time that the fire occurs as it did when the risk was originally taken out. For

instance, I re-insure a policy of yours of two thousand dollars, and you give me one-half of it. Meantime your policy is reduced to fifteen hundred dollars. All liability must be reduced to the same extent. That is my understanding of the intention of the form of agreement recommended by the committee.

Mr. Edwards—Has there been any motion made to receive the report?

The Chairman—No sir.

Mr. Edwards—I move that the report of the committee be received, the committee be discharged, and it is the sense of the Association that the managers, in any organization which they may enter into in the future should adopt some uniform form of re-insurance clause.

Mr. Watt—If there is a second to that motion, I would move a substitute, that the form submitted by the committee, and also the form read by Mr. Osborn, be printed and distributed among the managers, and that they be requested to return their views to the committee, before the next quarterly meeting. This is a legal contract we are considering, and by hearing it read and discussed in this off-hand way, we are not competent to come to a conclusion. There is a point omitted, which, in my judgment, is just as important as anything else in the re-insurance contract. I refer to the limit of time within which any endorsement or transfer may be reported by the re-insured to re-insurer. Unlimited time subjects the re-insurer to unexpected losses when the company issuing the policy is in full possession of all the facts, and that is certainly not a fair proposition.

Mr. Edwards—Does that motion carry a continuance of the committee?

Mr. Watt—Yes, sir.

Mr. Edwards—I would consent to that motion.

The Chairman—I am very glad that the matter has taken that shape. You have heard the motion. Mr. Dornin made a suggestion with reference to the mortgage clause which I would like to have



seen carried out, but that matter has been all disposed of. I hope that this motion will prevail, and that the managers of the companies in San Francisco, will give the matter the attention which it deserves.

(The motion was duly seconded and carried unanimously.)

The Chairman—We will now have a paper by Mr. William Maris, entitled, "Nosin' 'Round."

Mr. Maris—When it was first suggested to me to write a paper, I thought that being a new man, I might talk about something that has never been talked of before. I wrote an article that I considered excellent. I then cut it up into paragraphs, and I said to my wife, "I will read these to you slowly, and you mark those that have been mentioned before." We began about eight o'clock in the evening, and about twelve o'clock I finished the last one. I then said to my wife, "Hand me over the ones that you have not marked;" and she said, "There are none; I marked the last one at ten o'clock." I then thought I would start again, without any intention of giving you anything original, with the following result: (Reads his paper which was received with applause.)

#### NOSIN' 'ROUND.

The tendency of Pacific Coast managers in the last few months seems to have been wholly toward the amassing of their premium incomes, without regard to other results. It is all very well in a short, sharp fight, to get the business on the books, with the hope of keeping it there, but we all know where a continuous war will land us. Somebody has said that the general that has won most of the victories in the world is "General Exhaustion," and it may be that some day we will all find ourselves in a heap at the foot of the hill, down which we now seem to be rolling in our attempts to keep just a little below the other fellows.

However "Rates," "Commissions," "Reorganization," and kindred matters are now in the hands of the managers, and we will leave them there with the hope that they will receive that "prompt and careful attention" which, from our agents, is always asked for, sometimes expected, but seldom obtained. Meanwhile, with instructions from the manager to get business, the field man goes pegging along from place to place, like a hungry wolf, seeking whom he may devour. He strikes a town, reduces all the rates 50 per cent., adds 5 per cent. to the commission

promised the agent by the last fellow on the ground, and hurries off to the next town. Careful inspection is out of the question. He has not time for it, and in addition to that, he knows if he sends in an inspection slip marked "rate inadequate," word will come back from the manager's office that that is the case with all California business, and that he is not out in the field to criticise inadequate rates. He can stay at home and do that and find more of them right here in San Francisco than anywhere else in the State. In fact, I am informed that one office had some new inspection slips made recently, and in answer to the question, "Is the rate adequate?" had the word "No" printed to save the special's time.

#### IMPROVING SPARE MOMENTS.

But, no matter how low rates are, or how tight the "double header" non-cancellation clause is, we still have left us the privilege of at least trying to reduce the hazard. To that end many a spare moment may be profitably spent by simply "nosin' 'round," and it is really astonishing what can be accomplished in that way. Now, "nosin' 'round" is different from inspection in this: Inspection, to my mind, means a thorough examination of the risk, the process, the materials, the exposures, the deficiencies, coupled with an estimate, often only a guess, as to what is an adequate rate. In "nosin' 'round" we take the risk as we find it, and simply look for weakness that can be strengthened, the object being to reduce the hazard to the lowest possible notch. Every fire, no matter how large, must have a beginning, a cause, and there is no doubt that in an immense proportion of cases the cause could have been removed, and the consequence thus prevented. Familiarity, it is said, breeds contempt, and this can be forcibly applied to the case of the average manufacturer who, being in his mill constantly, gradually comes to overlook many things which creep in from time to time, and though in themselves small each becomes a menace, and if left long enough alone the plant finally reaches a point where it is practically uninsurable, if it does not burn before it reaches that stage. The probability of its having burned before that time is what I particularly want to emphasize, as if from time to time, the special had now and then nosed 'round the premises, it is almost certain that each little variation toward danger would have been pointed out and corrected.

Until cathode ray photography is brought into requisition and utilized to pierce lath and plaster walls, we cannot hope to detect the "defective flue" which is mentioned in so many of our proofs of loss as the cause of fire, but there are many other things clear to the naked eye and familiar enough to us all to be readily detected at a glance.

#### AN EXAMPLE.

Not long ago a friend of mine had occasion to go from Crockett to Port Costa. Trains did not suit, and so the old theatrical method of counting the ties was used as a means of transportation. When passing the McNear warehouses the idea struck him to nose 'round a little, and in one of the windows he discovered that where a pane of glass had been broken out a

gunny-sack had been substituted, and immediately behind the window was piled grain to the usual height. The window was within five or six feet of the switch track, and a spark from a locomotive would have readily ignited the gunny-sack, which would have fallen in on the grain, and being in a remote corner, a disastrous fire might have resulted. My friend made a note of the matter, and on his return to San Francisco notified Mr. McNear's office, and the appreciation with which they received the information was only equaled by his personal satisfaction that he had probably prevented what might have been a large fire "from unknown cause."

I sometimes doubt if underwriters, as a rule, really appreciate the good work which has been done by the inspection bureau. The value of their regular surveys I do not know, not having had occasion to use them, but I am sure that the removal of various wooden ash barrels, defective lighting apparatus, and such similar objectionable features has been an immense advantage to the community at large, and incidentally to the insurance people. Yet a plant may be inspected to-day thoroughly, and to-morrow something may be added or taken away which places it in an entirely different light. So because a risk has been inspected recently is no reason that a spare moment cannot be profitably spent in "nosin' 'round" it to-day, and it is just such work as this, the value of which I am trying to impress upon you. It may possibly seem to some almost a waste of time to look through a manufacturing plant or a store in the casual way I suggest. No report, no inspection slip to go to the head office, so no immediate credit to the special, no reputation as a lightning inspector. As to time, there always is a spare hour before the train comes along, and that hour is often taken up in story telling. Far be it from me to deprecate story telling. Stories are excellent in their way; they do on the train to make short a tiresome journey or to jolly the agent when you take him to dine at the company's expense. But each story may mean a wasted opportunity to nose around a risk, and that wasted opportunity in its turn may mean a loss which might have been preventable. As to credit—well a reduced loss ratio in a man's field is bound to make him valuable, and taking all in all I cannot conceive of a better way to spend the otherwise idle moments than just "nosin' 'round."

WILLIAM MARIS.

The Chairman—Gentlemen, the very able paper by Mr. Maris shows by its reception that we have all had our experiences which show that much benefit is to be gained by "nosin' 'round." There seeming to be no remarks upon the paper, we will proceed with the next number, entitled, "Collect or Cancel," by George W. Dornin.

Mr. Dornin—It is hardly in order to dignify my remarks by the name of a paper. I have endeavored to throw out a few hints or

suggestions only, of evils that may be avoided by a strict application of the principles of collect or cancel.

(Here Mr. Dornin reads his paper, which was received with loud applause.)

### COLLECT OR CANCEL.

Among the worst of the many evils which confront us in these days of discord and disruption, is the vicious and growing custom of giving credit for premiums. Too common in the past, it is spreading and extending at an appalling rate, nurtured and stimulated by pique and jealousy, petty spite and greed—a veritable hot bed of conditions particularly favorable to its growth. In fact, the evil is already so deep-rooted and widespread that we are prone to question the motives and view with suspicion, the man who “pays as he goes.”

Insurance is, or should be, a cash transaction. The honest claimant, with the savings of a lifetime destroyed and nothing but a heap of blackened cinders to show for it, is in sore need of funds, and expects from the company a prompt adjustment and immediate payment of his loss, and has a right to demand that there shall be no unnecessary delay in the settlement of his claim nor in the payment of the cash necessary to enable him to rebuild his home or resume his business. Why, then, hoping and expecting such promptness on the part of the company in the payment of hundreds and thousands, should he exact weeks, months, and, occasionally, years of credit for the few paltry dollars of his premium? If he cannot or will not pay within a reasonable time, better, by far, cancel his policy, ever bearing in mind that there is no loss to be paid under a cancelled policy, and that by recalling it, the company may escape a suspicious and unsatisfactory loss, for it is possible that the assured's slowness in paying is indicative of a stringency in his financial condition that only a fire can relieve. Aside from the question of fraud, it will pay to collect or cancel, to avoid the irritating claims of slow premium-payers, it being an established fact that the slow premium-payer is almost invariably a tough claimant, ever ready to vilify and damn the company that has the hardihood to take advantage of the privileges reserved by the terms of its policy.

### INSURERS WHO NEVER PAY.

Again, it will pay to insist on prompt collection, as a means of discouraging those insurers who, never intending to pay, make a practice of going from company to company, changing as fast as patience and credit are exhausted, thus, under prevailing customs, securing years of free indemnity.

Nor is the assured alone responsible for the alarming spread of this ill. The managers and general agents themselves are fostering it, many through fear of losing trade by refusing to deliver their policies except for cash, and others—and there are many—reckless of the cost, offer credit, and long



credit too, as a special inducement to the insuring public to send trade their way. Their policies are scattered broadcast throughout the land, many to be returned after months of liability, with the familiar legend "Uncollectible" across the face.

Who can view without concern the fast increasing number of policies thus surrendered; who calculate the waste of time, labor and money through this pernicious practice; and who will compute the amount paid out annually for losses incurred under policies, the premiums on which would never have been paid but for the fire? Could these figures be determined it is safe to say the result would be astounding.

#### THE LOCAL AGENT.

There is also a growing tendency to encourage the local agent in his desire for extended credit, and an increasing disposition on his part to drag and to withhold premiums actually collected, pending a visit from the special agent, many going so far even as to make it a point never to remit except upon a personal call, involving time and money that might be occupied and used more profitably in other directions.

And only too often, I fear, does some agent, pressed by other creditors, take advantage of the lenient methods and indulgence of his general agent and collect and appropriate to his own use the premiums belonging to the company, trusting to luck to recoup by the time the collector appears, or, at least, to recover enough to appease the company for a little while, and for the time being, get rid of the uncomfortable presence of the special. These are the agents who make the work, the worry and the expense; these whose dragging methods provoke long and irritating correspondence and make necessary the frequent trips of the special to square their accounts. These are the agents (happily few), whose questionable practices and conversion of funds compel resort to the law and courts to recover, at the expense, possibly of the whole amount involved, a counter suit for damages and the prejudice of the community, which too often has little sympathy with the stranger corporation when pitted against the familiar friend and neighbor.

If you would escape these ills, make it a rule to collect or cancel within a reasonable time, and, if perchance, you are blest with an agent who will not collect or cancel, drop him at once. He is an unsatisfactory and expensive luxury, and all the coddling and nursing in the world won't make him a profitable or desirable representative. If he can't collect, he is useless, and if he does collect and won't remit, he is worse than useless. Don't think that by condoning his offense and winking at his shortcomings you are making a lasting friend or loyal agent. Sooner or later there must be an accounting, and the more lenient you have been and the deeper he is involved, the more bitterly will he hate you, and he who has been the most favored will be the first to denounce your methods and the first to take advantage of an opportunity to divert his business to other channels.

If, then, you would command and retain the respect of customer and agent, insist upon prompt collection or early cancellation. Convince them

both that unsecured outstanding premiums are poor assets and not to be depended upon; that if they would encourage prompt payment of losses, they must be equally prompt with the premiums.

It may be that the time is not opportune to ask or expect united effort to stamp out this evil, but sooner or later it must be done, and by concerted action only can it be accomplished. Let us hope, then, that out of the wreckage surrounding us, material may soon be gathered sufficient to erect another structure, another organization stronger and more perfect than that of the past, that will be able to cope with every evil in the business, and when this is accomplished, let its principle and watch-word be "Collect or Cancel."

GEO. W. DORNIN.

The Chairman—Gentlemen, the truth of the very admirable paper by Mr. Dornin is certainly patent to all managerial elements within this room, and I trust that the special agent, as a rule, will heed what Mr. Dornin has said. And I speak for myself, when a special agent, in saying this. In endeavoring to soften the demand of the home office the special very frequently weakens the effort of the head office, by informing the locals that the matter is perfunctory and that it will do to send money by-and-by. I think it would be much better if we all did collect or cancel. In the reorganization of the new Board of Fire Underwriters, the rules should there provide for the statement of the credit system by means of cancellation without instruction from the office.

Mr. Sprowl—I am quite sure that this paper is of sufficient value that every special agent in discharging his duty should have it to read and learn something, and thus give him some kind of a bracing, or backbone. In my experience in visiting some of the agents there was the least difficulty whatever in obtaining the collection of an account that was possibly overdue, though there was hardly any justification in retaining a man of that kind. Sooner or later an agent of that description is going behind. He may pay an account that is in hand, but practically he is obtaining it from some other company. In matters of that kind you had better get rid of such a man. He is behind at some time or other. The rule to collect or cancel is a good one. We all know that when a premium is due a statement is sent, and possibly no answer is received. An in-

variable rule to collect or cancel will save the company a good deal. We know how discouraging it is to write to an agent, continuously asking him to please remit. It is probably distressing to the office to do so, and it is distressing to the agent to receive such letters. I have sometimes written:

“Of all sad words that e’er were writ,  
The saddest are these, Will you please remit?”

It is sad for the office to write it and it is sad for the agent to receive it. If the good advice given by Mr. Dornin was carried out, I think we would have more satisfaction in the office and with our agents.

The Chairman—We will now proceed with the regular order of business.

Mr. Watt—I have a report on the President’s address and on the report of the Library Committee and its recommendations. (Reads:)

#### REPORT ON THE PRESIDENT'S ADDRESS.

*To the President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—

To this committee was referred the President’s annual address and the report of the Library Committee for consideration.

We compliment the President upon his admirable address and congratulate him upon the programme he has arranged, the large attendance at the several sessions held and the evident interest on the part of the members in the proceedings.

We endorse the President’s remarks concerning the importance and value of our library and his suggestions in reference to its improvement. His views on the subject of local boards, that valuable auxiliary to underwriting interests, we fully approve. We commend him for his excellent service to the Association in developing new talent through his invitations to a large number of our members to write articles for our annual meeting who have not heretofore favored us. We have no doubt his course in this matter will be mutually beneficial to such members and the Association.

#### FIRE UNDERWRITERS CLERKS' ASSOCIATION.

We recommend that the offers heretofore made be renewed during the coming year, and that a special effort be made to secure a number of papers from the clerks for competitive examinations. We are also of the opinion

that at one of our meetings during the year the members of the Clerks' Association should be the guests of this Association.

#### MEETINGS.

We are quite ready to agree with the President that any change in the rules of the Association in reference to meetings at this time would be unwise, and we have pleasure in approving his recommendation that the Executive Committee provide a suitable programme for our regular quarterly meetings with a view of bringing out a larger representation of our membership.

#### BOARD OF FIRE UNDERWRITERS.

Anticipating the early formation of such an Association, your committee read with much gratification the recommendations embodied in the President's address with relation to "schedule rating," "the application of the co-insurance clause as a leading factor in the promulgation of rates in fire department towns," "open permits for other insurance," "classification of fire premiums and losses," "the electrical hazard as a basis of specific charges under schedule where the installation has not been approved by a competent inspector," "the iron safe clause," and other measures of equal merit. No doubt these matters will be fully considered by the new organization, but the members of the Association can wield no little influence in properly carrying out these excellent suggestions.

#### LIBRARY.

We listened with unusual interest to the remarks of our President and the report of the Library Committee as to the present condition of that valuable adjunct to our Association, and after due consideration recommend, *first*, that the Library Committee be authorized to purchase a suitable book-case for the accommodation of our accumulating volumes; *second*, an expenditure during the ensuing year, including the cost of the book-case, of not exceeding \$250 in the binding and re-binding of such publications as required and the purchase of such books and periodicals as are missing or may be considered desirable, it being provided that the Executive Committee must first approve any expenditure beyond \$150.

We further recommend that the Library Committee take such action as may seem necessary to secure the return of such books and periodicals previously indexed but now missing, and that a complete index of all the proceedings of the Association up to and including this year be prepared and published, together with a list of the names of those who have been and are now members of the Association.

Further, the attention of the new Library Committee is called to the kind offer of Mr. F. H. Porter of the Inspection Bureau to have the library looked after, and the books taken out properly receipted for, with the suggestion that the committee avail itself of this advantage.

We also recommend that suitable locks be placed upon the library cases, the keys of which shall be in the hands of the custodian only, and that all



persons be required to give receipts for books or papers taken from the room.

When it is considered that our rooms are frequently used for loss and other committee meetings, and that the doors are often open for hours at a time, the importance of the foregoing recommendation will be appreciated.

Respectfully submitted,

H. E. PARKHURST,  
C. MASON KINNE,  
ROLLA V. WATT, Chairman.

Mr. Edwards—I move that the new Executive Committee and the Library Committee be instructed to carry out the recommendations embodied in the report, and that the report be received and the committee discharged.

(The motion was duly seconded and carried unanimously.)

#### ELECTION OF OFFICERS.

The Chairman—Nominations are now in order for the office of President of the Association for the ensuing year.

Mr. Watt—I hesitated a moment to give the younger members of the Association an opportunity to speak—none arising—but without regard to the past usage of the Association, I think it quite proper that we place in nomination for the office of President a gentleman who has been of unusual service to this Association for years past. He has devoted hours, weeks and months of his time in looking after the interests of the Association, in devotion to our library, in the preparation of many able and valuable papers. I doubt if any man in our Association has put more thought into the papers prepared or written, or more valuable labor than Mr. Herbert Folger, and I take pleasure in placing him in nomination.

Mr. Edwards—I move that the Secretary cast the ballot for Mr. Folger.

(The motion was duly seconded and carried, and the Secretary then cast the ballot for Mr. Folger for President for the ensuing year.)

The Chairman—Gentlemen, I am very pleased to state that you have cast your ballot unanimously for Mr. Herbert Folger.

(Applause.)

Mr. Folger—Five years ago, I first took my place on this floor as a member of this Association. The impressions then formed have never faded, and the resolve then made, that at some time in the future I should work to merit recognition from the Association, has remained a constant impulse. Now that recognition has come, the natural feeling of pleasure in connection with this honor is mixed with a feeling of regret that the work is over. The work of the Association, however, is not over. Our next annual meeting will be the 21st, or the "coming of age" of this Association; and if on that occasion, as the result of any efforts your President may make, some other member shall be induced to do good work for it in the future, I shall feel more than repaid for all that I have done in the past or can do in the coming year.

The Chairman—Nominations for the office of Vice-President are in order.

Mr. Folger—I have unusual pleasure in nominating for the office of Vice-President one who is constantly in the city of San Francisco. That in itself is of great value to the Association. He is one who has not only done hard work, but continues to work for the Association: and I nominate for the office of Vice-President, the present Chairman of the Executive Committee, Mr. R. W. Osborn.

Mr. Kinne—Knowing the work that Mr. Osborn has done in the past, it gives me much pleasure to second this nomination, and I move that the nominations now close, and that the Secretary cast the ballot for Mr. Osborn.

(The motion that the ballot be now closed was duly seconded and carried unanimously, and the Secretary cast the ballot for Mr. Osborn.)

The Chairman—I take great pleasure in announcing that Mr. Osborn has been elected to the office of Vice-President for the ensuing year. (Applause.)

Mr. Osborn—I wish to say that Mr. Folger has very prettily said what I would like to say. I can simply accentuate his utterances, and thank you.

The Chairman—Nominations are now in order for the positions of Secretary and Treasurer.

Mr. Osborn—I will not take up any time in prefatory remarks. I think the work of the present Secretary evidences his ability, and I place in nomination the present Secretary, Mr. Weinmann.

Mr. Kinne—I move that the nominations close and the President cast the ballot for Mr. Weinmann for the office of Secretary and Treasurer.

(The motion was duly seconded and carried, and Mr. Weinmann was duly elected Secretary and Treasurer for the ensuing year.)

The Chairman—Nominations for the Executive Committee are now in order.

Mr. Edwards—For Chairman of the Executive Committee I wish to nominate Mr. Devlin. He is certainly a very capable man, an underwriter here in the city, and takes great interest in the Association.

(The nomination of Mr. Devlin for Chairman of the Executive Committee was duly seconded.)

Mr. Sprowl—I would place in nomination for member of the Executive Committee Mr. Whitney Palache.

Mr. Edwards—We have here a gentleman who read a very good paper, and I would nominate Mr. George W. Dornin.

(It was duly moved and seconded that the nominations be closed, and that the Secretary cast the ballot for Messrs. Devlin, Palache and Dornin for the ensuing year.)

(The Secretary then cast the ballot, and the President announced those gentlemen elected as the Executive Committee.)

Mr. Watt—I move that the President be authorized to draw a warrant on the treasury for one hundred dollars in payment for the valuable services rendered by our Secretary and Treasurer during the past year.

(Which motion was duly seconded and carried.)

The Chairman—We will now listen to the reading of the California Knapsack by Mr. George Grant.

Mr. Grant—Gentlemen, the Knapsack this year consists of a little bit of business talk, a little bit of doggeral rhyme, a little bit of verse and a great deal of Ed. Niles. I commence with the so-called editorial. (Reads the Knapsack, which reading was received with loud applause.)

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## CALIFORNIA KNAPSACK.

VOL. XX.

FEBRUARY 19, 1896.

NO. I.

It has been a subject of comment at home and abroad that the insurance people of the Pacific Coast have deliberately thrown away a large and desirable business. It reminds us of the man who killed the goose who laid the golden eggs.

In the man's case it was curiosity to see where the golden eggs came from; in the case of the insurance people it was different.

The insurance publications of New York and Chicago are particularly satirical and facetious in their comments on the situation, and yet it is not new or strange, *except* to the Pacific Coast. In certain districts in the East there is a mild eruption, with more or less feverish action all the time.

The Pacific Coast has been for many years unusually prosperous, and all classes thrived; money came to all, whether in or out of the insurance business. When I say of the Coast, "It has been" prosperous, that very nearly tells the tale, for a "has been" seldom attains a second time, so far as fame and fortune is concerned, a position where he can be said to be in it, or of it, strictly speaking.

From 1875 to 1890 money was easy to get, everybody seemed to have enough, and to spare; "the wave of prosperity" seemed to be ever at the flood. In insurance business we thought our success an evidence of superior judgment on the part of officers, and we talked freely and learnedly of the "science" of our trade, we ranked ourselves with bankers and financial agents, and plumed ourselves not a little on the keen insight into human nature we possessed which made us particularly fitted for our dignified and scientific calling. In 1891 the wave of prosperity was going out, but we heeded it not. In 1892 we felt something, but did not know what had hit us; at least I have thus far failed to find the man who claims he then knew what has since been shown to all. While the knowledge of the advent of hard times was slowly filtering into our dull minds we were irritable, accusing each other, trying to fasten the blame for loss of business on the Compact, on the unprincipled agent, and on the lack of Faith, Hope



and Charity in our associates, and on all of them irrespective of previous reputation.

The Compact was such a perfect machine that it took the place of skilled labor, and when we killed the Compact we were obliged to exercise our alleged brains. (Heaven save the mark)—and after that the cunning instinct which dwells more or less with every man was aroused and put into action. Look at the annual figures for 1895 and read the story, that is the result of our best efforts to prove our eminent and unusual fitness to manage the affairs of an insurance office during hard times. What I was about to say, is this: When "good times" return we will have peace—I mean by good times, general prosperity. When money is plenty and easy to get the insurance business will once more be ranked as a science, but you can take my word you will never see the business as it has been on the Pacific Coast.

It is perhaps needless for me to say my remarks are particularly addressed to the young men of the Association, to whom the "insurance war" will soon be but a part of history.

GEO. F. GRANT, Editor.

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Not having been called upon to subscribe anything for the edification or amusement of the Fire Underwriters' Association of the Pacific, I concluded I would write a few lines at the last moment for our esteemed and valued friend, Geo. F. Grant, editor of the "Knapsack."

This valuable and amusing adjunct to the proceedings of our annual meeting is at all times looked forward to, and much admired for, the witty and pertinent "bon mot" of the time. Therefore, I propose to call your attention to the lack of interest in the members to contribute in detail all reminiscences that occur to almost every member throughout the year. All of us meet with rebuffs in settling losses, facetious remarks from local agents, and we often come across ludicrous situations in our travels, every one of which should be commented and enlarged upon for the gratification of the members. If all members would notice the unusual or amusing in their daily experience and afterwards put it on paper and send it to the editor of the Knapsack, I am sure it would be fully appreciated by himself and his able assistant, and should the phraseology not be perfect it would come before the members in exemplary language. We are too apt to think that such and such a thing is too trivial to take notice of, but, only give these gentlemen the gist of your experience and you will be surprised how they can make it appear interesting, of course, surmising there is really anything in it. It is worth trying, and if you don't succeed the first time, try again.

The writer, some years ago, met one or two curious incidents and felt too modest to call attention to them, but was prevailed upon by the editor of the Knapsack and had them inserted and was much gratified to find they were looked upon as "good fun."

It is a peculiar anomaly in human nature that after a discussion of the most abstruse subjects a man becomes uncongenial and abstracted, which will no doubt be the case before the Knapsack is introduced this afternoon, then you will observe the effect of the humorous incidents, the whole meeting will at once drop their deep thoughts of business to listen to the pleasant side of the various experiences of their fellow members and prepare them for the good things which will be found at the banquet. I presume the Knapsack is reserved to the last as a fitting finale to the proceedings. Make a memorandum of anything unusual or amusing that you come across in your travels and confer with the editor and I am sure you will not regret having contributed, in however small a measure, for the enjoyment and pleasure of the Association next year.

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#### A DISTANT ECHO.

I dreamt for my sins I was doomed ever to dwell  
'Mongst Devils incarnate in Beelzebub's Hell;  
I had sinned while on earth in numberless ways,  
And now came my doom to my direst amaze.  
I was met by a lively young friend at the gate,  
Who told me where Beelzebub held his estate  
On a black ivory throne high up in the air;  
He transfixed me at once with a sulphurous stare.  
He questioned me 'bout my occupation on earth,  
What I did, where I lived, and what I was worth.  
"Reply," thundered he, "if ever you can, sir."  
"Insurance," I muttered in tremulous answer.  
"Insurance," he cried, "put him in with the rest."  
And the fiend immediatly obeyed his behest.  
He led me down through devious ways,  
Amid sulphurous smoke and ruddy blaze  
Up to a building reaching high,  
With lofty battlements touching the sky,  
While over the door-posts this I read,  
"There's no insurance for the dead."  
The door at touch wide open flung,  
And 'midst the crowd I quickly sprung,  
For there amongst the assembled crew  
Were all the insurance men I knew,  
Each one most busily employed;  
A veritable Hellish Lloyd.  
Pete Outcalt with a brush and mire  
Was whitewashing the western fire,  
While Charlie Cushing, on his knees,  
Was trying in vain some life to squeeze  
Into the State Investment's body,

That lay quite stark shrouded in shoddy.  
 I wandered past groups of old-time friends  
 Who seemed engrossed in their own ends,  
 Unnoticed, each seemed under a spell;  
 I muttered softly, "*This is Hell.*"  
 I asked my guide if he had all  
 The insurance crowd within this wall.  
 "Why no," he said, "there's five or six  
 Still on the other side of Styx,  
*But they're not real insurance men, you see,*  
 Or else they'd surely come to me."  
 "How comes it all about," said I,  
 "That they're all damned, for some were 'fly'  
 And led the prayers in the Y. M. C.  
 And yet they're here, 'tis strange to me."  
 "Oh, not at all," the fiend suggested,  
 "In fact they all were so interested  
 In piling up the sordid pelf  
 That each forgot to insure himself,  
 And so they finally dropped in here.  
 I hope I've made the matter clear."  
 Just then there rose so fierce a shout  
 Among the crowd and such a rout,  
 All rushed to Beelzebub at the gate  
 And cried for vengeance, for a *rate*  
 Had been flat cut, and in the gutter  
 Was rolling the unfortunate cutter.  
 Like fiends they roared and stormed around  
 'Till all Hell echoed with the sound,  
 And with such Hellish tumult broke  
 My slumbers deep, and I awoke  
 Right glad to find it all a dream  
 And find myself still in "the stream,"  
 And you all here so jolly and well,  
 And still on earth and not in Hell.  
 Now, if not impertinent, may I inquire  
 Are you all insured against Hell fire?  
 If not, be quick and get a policy,  
 Is the sage advice of

H. H. B.

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 EIGHT WORD POEM.

Cut rate;  
 Long trust;  
 Big line;  
 Soon bust.

"It seems to me," said the man from Chicago, "from what I've seen of your people since I've been in California that they're not up to us in their table manners. Just look at that fellow at the corner table. Do you see him putting food in his mouth with his knife?"

"Yes," replied the Western special.

"Do you know such things disgust me," said the man from Chicago, as, with his elbows on the table, he trimmed and cleaned his finger nails. "Have a tooth-pick, old man?"

"No, thank you."

"Take one, I've plenty of 'em; always carry a pocketful. These are the pure quill. No? Well, let's go;" and he passed from the dining room chewing his tooth-pick.

*Question in application.*—"Have you personally inspected the risk *inside* and out?"

*Agent's Answer.*—"From the outside only."

N. B.—The subject of insurance was a stack of hay.

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"Dose gut rates vos fine, Levy I insures my shtock now 'vay up, for more den its vorth, dose rates vos so sheep ain't it?"

"I don't insure."

"Holy Moses! you don't? Vy? Don't you vos afraid of vire?"

"No!"

"Sufferin' Isaac! how's dot?"

"Vell, you see, oof I don't *insure* I don't *burn*."

"Father Abraham! dot's so."

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The companies' fears for the future are like those of the honest German who was overheard talking to his dog:

"Mein dog, dere is a great difference from me und you. You play all tay, but I haf to vork all de vile. You youst haf fun. Vell, de time vill gome already ven you haf to die und den dot is de end of you. But it is different mid me. I haf to go to hell yet already."

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Our supply clerk is a Swede. He attended a revival meeting recently. The clergyman asked him: "Peterson, are you willing to work for the Lord?"

"Ae don't know," he answered. "Ae got a good job now. Ae tank ae keep dat."

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Sonoma agents claim that in their county a good article of grape butter is made by churning the wine,



## HINTS ON INSPECTING.

*Rope Walks.*—Don't be too inquisitive about inspecting the rapid motion machinery. The different concerns generally have some inventions of their own, and they will not want to let you in. If you persist they might order you to cancel your policy and you *would lose the risk.*

*Flour Mills.*—Always notify the head miller in advance of your desire to inspect the mill and he will have it swept down for your inspection. There is only one man that can beat a miller handling a broom, and that is a Scotchman, when *he is curling on the ice.*

*Dyeing and Cleaning Works.*—Do not spend too much time examining the dry room (if a fire occurs in one of these risks it is generally "cause unknown,") but be careful about smoking and lighting your cigar in the benzine wash room. It takes a long time for the dry room to make a "kick," but benzine will "kick" at the crack of a match, and if you have on a good suit and think anything of your hair, eyebrows and moustache, don't monkey around this part of the risk.

*Shoddy Mills.*—It is much pleasanter to inspect these risks from the map, but if you must go through one, ignore the picker-room. It is a musty place full of dust and perhaps contagious disease. They are usually rated high, and if you cancel on account of the poor construction of the picker-room your company will lose a big premium.

*Candy Factories.*—Test the candy and form your opinion of the risk from the quality. If the candy looks clean it is a sign that the kettles are not allowed to boil over, and it will save you the disagreeable trouble of going down into dark places to examine them.

*Hotels.*—Spend as much of your time in the office and parlors as you can. Of course, all the guests will want you to inspect their private rooms, but be "leary" about going into the kitchen. If you do you will probably not want to eat another meal in a hotel as long as you live.

*Fire Works and Powder Plants.*—Always leave these till the last and you will have the satisfaction of knowing that your work was finished. Tread lightly. Don't have any large hob-nails in your boots. There are many people in this world who are laying the wires and striving to get to heaven, but if when inspecting these risks you are careless with your cigar or pipe, you are liable to find yourself above the clouds in a way that beats a balloon, or a chariot of fire, out of sight.

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THE RATE WAR STRUCK THE TOWN.

Elgin is a small place in Oregon of about 400 inhabitants on the line of the O. R. & N. R. R., 25 miles north of La Grande, but the change is so violent even in that distance, that the rest of the world seems most dim and remote.

The insurance company had an agent there recently who always stood strong in the regard of his townspeople because of his reputation for honesty

and general harmlessness. In addition to representing the company as agent he was also a practicing attorney and kept a short-order kitchen, doing the cooking himself. Owing to his personal pride in his home affairs, the yard always looked clean, the chickens well kept and productive, and the fences in good repair, while the inside of his home shone like a burnished handle to a counting-house door.

His buxom and good looking spouse trotted at his side in about the same degree of excellence, peacefully and happily, neither of them giving any evidence of sensationalism or star-gallery playing in their makeup. Imagine the jar to this little community when His Harmlessness, one morning in the small hours, just up and disappeared. They looked for him everywhere—dragged the river and fired off the town cannon, and getting no results from this, at enormous expense to themselves issued a bevel-edged descriptive circular inviting the residents of other and surrounding counties to herd home the wanderer to his sorrowing wife. To this date he has never been herded.

The company had never been notified, and the visiting special, armed with his most winning smile, hove upon the scene. He nearly fainted when shown the circular. He began a wild scramble through the books with gleaming eye and "baited" breath, and after hours of earnest and perspiring work discovered a shortage of . . . . . 3.95, which left him sick and disheartened; but away in the corner of the register he found noted on the margin in a nervous handwriting, the following: Owing to a cut in the rates in Elgin, a return premium of 3.95 is hereby allowed assured, and the non-cancellation clause attached to policy.

No wonder he disappeared.

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A respected agent at Healdsburg writes: "We have received one of those 'angel's visits, few and far between,' from your *specialist*."

*Query* (from the inside). How many special agents are either "angels" or "specialists;" and if they were either one or the other what would be the effect on the insurance business to-day?

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#### PRAYER AS AN ADJUSTING AGENCY.

Judge England of Bismarck is not only well known there but throughout the territory. Last fall, while acting as adjuster for an insurance company, he went to Pierre to settle a small loss on household goods.

After the judge reached Pierre, but before he called on the man, he learned that he and his family were members of the Methodist Church and very upright sort of people; so the judge looked forward to an easy settlement, as he doubted not that they would be willing to do what was fair, and he knew that he was himself ready to allow all that was really due. It

might also be mentioned right here that the judge has not, so far in life, connected himself with any church organization.

He called at the man's house, and after some preliminary conversation, said, "Well, Mr. Wilcox, we might as well make out a list of the things burned or damaged. Just mention some of them, and I will note them down, and I think we can agree on this matter very readily."

"Well, there was a silk dress, for one thing," replied the man.

"Yes—how much was it worth?"

"Seventy-five dollars."

"Ah—hem, Mr. Wilcox—expensive dress."

"It was," interposed Mrs. Wilcox; "it was my wedding dress, and cost \$125. I wouldn't have taken \$500 for it."

"Er—yes—very likely; anything else?"

"There was a sewing-machine, worth \$60."

"Sixty dollars, eh? Now, you see, sewing-machines have a more fixed value than silk dresses. I can get the best sewing-machines made for \$35."

"Not one like ours; it cost \$75, and was worth every cent of \$60—I couldn't think of taking any less," said Mr. Wilcox.

"Pass it for now—give me something else."

"Parlor organ injured fully \$100 worth."

"I can get a pretty good new one for that amount."

"Not like ours, mister," said one of the large girls; "it cost \$250."

"Can't allow you so much, I'm afraid. What else?"

"I lost a suit of clothes," said Mr. Wilcox, "worth \$70."

"Now, look here, my friend, I don't believe your clothes cost that much," returned the judge, beginning to get warmed up.

"I tell you they did; they cost \$80, and I'm not going to let any insurance company beat me out of it, either. You just do this thing fair, or get out and I'll sue your old company."

"That's right, Henry," said his wife: "we're not going to let any traveling insurance agent beat us out of what belongs to us."

The children appeared to look at it in the same way, and the judge didn't see much encouragement, when a plan suddenly struck him.

"Brother Wilcox," he said, solemnly, "we must ask for help in this matter."

"What!" said Brother Wilcox, looking at him.

"I say we must make this business a matter of prayer. You and your excellent wife here belong to the Methodist Church, I believe?"

"Yes, sir; do you?"

"I have been a member of that church for thirty years. Let us pray and see if our way does not become more clear in this matter."

So they all knelt down, and the judge led in prayer. He could not remember having done such a thing since on a certain occasion when he tumbled down an old well while a boy, but he speedily got the hang of it. He struck in on the heathen in foreign lands, made a touching appeal for the sick and needy, remembered distant friends, touched on the church and church extension in the West, and wound up with an appeal for the little

band who had gathered to adjust a certain insurance loss. The judge grew impressive, and asked for strength for himself and his good brother and devout sister and also their children, that they might adjust the loss even as it should be adjusted; that they might all know the true price of silk dresses and sewing-machines and store clothes. He ended in a particularly touching manner, his voice trembling, and when they arose tears stood in the eyes of the entire party.

Wilcox grasped the judge's hand, pressed it fervently, and said, "Brother England, let us begin again."

"Yes, let us begin again brother," returned the judge.

"Now, the dress first. Maria, was it the calico or the gingham?" asked Wilcox of his wife.

"It—it—it was the calico, Henry."

"One calico dress, Brother England."

"Worth about 40 cents, Brother Wilcox?"

"Not more than 30, Henry; I had worn it all summer."

"Dress, 30 cents; go on Brother Wilcox."

"The sewing machine got the leaf broken off—we had it fixed for half a dollar."

"Sewing machine, 50 cents; go on brother."

"The organ was scorched on one end—what did the varnish cost, Susie?"

"Fifteen cents, pa."

"Organ, 15 cents—proceed, brother."

"Suit of clothes—well, it's these that I have on: the coat sleeve got wet."

"It didn't damage it very much, did it, Brother Wilcox?"

"It did it good, Brother England," said Mrs. Wilcox. "There was mud on the sleeve and the water washed it off; it improved the coat."

"I think it will be satisfactory to the company. Anything else?"

"No-o-o, I guess not; is there, Maria?"

"I can't think of anything more."

"All right; total 95 cents. I'll make you out a draft for that amount, brother;" and the judge did so, and went away with more faith in the efficacy of prayer than he ever had before.—*Dakota Bell.*

(The following stanzas are hardly up to Knapsack standard, but as they bear a London postmark and are signed "A. A." we infer that they emanate from the new laureate, possibly at the instance of the foreign companies. To prevent any further international complications they are accepted, but for no other reason. Like "Jameson's Ride," by the same author, the lines have an Uitlandish jingle, but seem lacking in poetic fire.)

Special, spare that rate!

O, cut it not in half,

Nor anything abate,

Lest customers may laugh,

And say, with a broad grin,



"Aha, we told you so;  
They're fighting now like sin,  
And *we* will have a show."

Special, spare that rate!  
And split it not in twain.  
For years it sheltered me,  
And may do so again;  
Swing not your ready axe,  
Draw not your snickersnee;  
Special, spare that rate!  
If you would happy be.

Special, hold that rate!  
And at a fair price sell,  
For if you wildly cut,  
The rates will go to—well!  
They're sure to go below  
A figure just and right;  
Special, spare that rate!  
Nor send it "out of sight."

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The only incident I remember, said the quiet member, which must be at all appropriate for the Knapsack occurred many years ago at Santa Cruz. The town was small and the stage road over the mountain was inaccessible in the winter months. There was no telegraph line, and sometimes the people waited as long as sixty days for a San Francisco paper. The sea also was rough, and steamers could not land. About this time the town folks started a hose company, but as a matter of fact it was more of a salvage corps than a hose company, owing to the limited supply of water. Our office had a policy in the contents of a boarding and lodging house, and a loss was reported. The assured was a quick witted but uneducated son of the Emerald Isle, and he claimed "everything in sight," as the expression goes.

It was beyond doubt an incendiary fire, and started in the corner of the sitting room down stairs. A quick alarm was given, and the fire boys not content with putting out the fire, moved all the furniture on the second story across the street to an empty building. This they did so carefully that no damage was done, and only the bed clothing looked disturbed, the sheets, blankets and covers were tumbled together, but otherwise uninjured. I went over the ground with the assured, exercising great patience. We talked of the origin of the fire, the condition of the contract, the duty of the assured and the liability of the company; and finally, out of patience, I said, "but you have no claims here; nothing is destroyed." "How about the bed clothes," he said? "Why, man, it is only necessary to wash them." "Wash them is it," he replied "Wash them; don't you know it damages sheets like hell to wash them."

## FOUND IN A PALACE CAR.

One calm consoling thought  
Comes to me o'er and o'er,  
When riding on the rail  
Is something of a bore;  
When stages are upset,  
And steamboats make me ill,  
This thought relieves my pain:  
The office pays the bill.

When letters criticise,  
And make me rather tired;  
When they become so wise,  
Somebody should be fired;  
When agents fail to pay,  
And give the "hard times fill,"  
I keep my even way;  
The office pays the bill.

That tranquilizing thought  
Steals o'er me night and day;  
I have no board to square,  
I have no rent to pay;  
No creditors can come,  
My peace of mind to kill;  
Expenses are charged up;  
The office pays the bill.

## IS THIS MORAL?

Two venerable and distinguished presidents at the insurance center in Connecticut have taken strange positions. They are seemingly candidates for the attention of the society of prevention. One wants free intercourse with everybody. The other wants to have all the agents of excepted cities "cut" when they have compromised their extreme news on a virtuous basis—we may have a board.

At the midsummer jinks last season one of the tents caught fire, and the occupant lost a few articles of clothing. General Barnes, the well known legal wit, stated that the insurance adjuster had compromised the loss. He convinced the claimant that the trousers burned were perfectly good *below the knee*.

A good friend who loves to indulge in metaphor was speaking of local agents. Said he: "You go to work and build a man up from the ground and along comes a big fish and swallows him and you lose the premium it has taken years to nurse to life."

## "SOUT' O' MARKET."

At de time of de big fire, sout' o' Market, last June, I had me room at Mrs. Muldoon's, on Freelon street, near Fourt'. De old gal had tree hundred insurance; two hundred on her furniture and one hundred on her pianny. De nex' mornin' after de fire she gives me de policy and says:

"Micky" (me name's Michael, but dey calls me Micky, fer short), "ye goes down to de office and ye brings me de tree hundred, fer I *needs* it," she says.

"Well, *all right*," I says, and I goes to de office.

I goes in—it was a dandy office, wid de prettiest gal I ever see in one corner tumping hell's delight out of a pocket pianny, I tought it was—but dere's a pal o' mine on Jessie street dat knows, he told me afterwards it was a type *rider*, and a four-eyed dude steps up to de counter, and he says right off, hot from de bat:

"Well, young feller, what *you* want?"

Say, I aint no fool, if I never had no edoocation 'cept dat night school at de Lincoln, and I sees right off he was no good.

"Where's de main guy?" I says.

"*Who?*" he says.

"De foreman; de man wot writes de policies. Dere was a fire at Muldoon's. Say, de poor woman wants tree hundred," and I trew down de paper; "does she *get* it?" "She's a poor, hard workin' woman; she says her bead's reg'ler an' she *needs* de dough."

De dude stepped into a room wid glass around it, and den comes out and says: "Dis way, sir, if ye please;" just like dat; smoot' as dose butter cakes at Dennett's.

I goes in and dere was anodder dude wid his Sunday cloze on, but a pleasant feller, and he says: "Wots yer name, sir?"

"Michael Free."

He says: "Mr. Free, are ye *square*?"

"On de roof," I says, but, say, ye cud ov knocked me down wid a fedder.

"Ye roomed at Muldoon's?"

"Dat's wot I did."

"Look here, Mr. Free," he says, "you know what Mrs. Muldoon lost? We gives her every cart wheel she loses—dat's all. Did she lose tree hundred?"

"Nit," I says.

"Did de pianny burn?"

"Naw," I says.

"Mr. Free," he says, "you goes and settles dat loss and I pays you. Look out fer depreecyashun."

"Is dat de dude wid de blinkers?" I asked.

He laughed.

"Mr. Free," he says, "What did dat suit of han'-me-downs cost you?"

"Nine plunkers, at Roos's," I says.

"Wot are dey wort' now?" he asked.

"Maybe tree dollars," I said.

"Dat's *depreecyashun*," he says. Say, I caught on in a minit.

Well, I goes and settles wid de old woman. I tells her nottin' goes on de pianny cos it didn't burn. She kicked a little, but not much. Den I figgered de furniture. Say, I know every second-hand joint on Mission street where she got it. De lot cost her a hundred and sixty-six. Den I says:

"Dere's eighty-tree dollars off for *depreecyashun*"—

"Fat de divil's dat, Mickey?" said she.

"Dat's de wear and tear," I says.

"Holy Saint Bridget, how much does I get?" says she.

"Eighty-tree dollars, net," says I.

"Is it *net* or *nit*, Mickey?" says she.

O, she was a funny old gal; she'd joke on her deat' bed.

"Hurry, quick, Mickey," says she, "run, ye divil, to de office and get me de eighty-tree dollars before ye spring any more Frinch words on me."

Dey coughed up de dough all right, den de foreman says:

"Mickey, yere a *fine* adjooster: how much does we owe you?"

"Well," I says, "I makes two cases a day when I works at de foundry. I works on dis half a day; dat's one iron dollar."

Say, he gave me a big twenty, and now I cleans de office and maybe I goes on de road next year in Alameda county. De old gal bought four hundred dollars wort' of new furniture on de installment plan, and I says:

"Say, does we give you tree hundred insurance?"

"*Naw*," says she, "I insures for what I *gits*. Ye tell 'em to make de paper for *eighty-tree* dollars, *divil a cent more*."

And so de old gal gets a policy for eighty-tree.

Say, if dere's any more fires sout' o' Market, let me figger on de props. Leave word at de Caffy Royal. I gits a steam beer dere ev'ry noon.

E. NILES.

#### A CRIPPLE CREEK ADJUSTMENT.

It was, perhaps, the most remarkable adjustment on record. I have had a tolerable experience in that line, but never heard of a similar case. It seems almost incredible, and might not be believed if it were not for the fact that such well known insurance men as Charlie Wilson, Fred Buck and D. C. Packard of Denver, W. S. McIntyre of Colorado Springs, and John H. Kirtland of Pueblo, know the facts in the case and will bear witness to the truth of this plain, unvarnished statement. Verily, truth is more wonderful than romance! To think that Cripple Creek, with its golden flow of increasing millions, took its start from the burning of an adobe dwelling-house, on which there was an insurance of but five hundred dollars! It sounds like one of those glittering tales from the Arabian Nights, and recalls the marvelous adventures that occurred in the days of the good Haroun Al Raschid.



There are many San Francisco insurance men who knew James W. Ferguson when he was special agent and adjuster for the old "Concordia" (that wasn't its name, but those who know the writer will remember the company well), and who know him now as one of the multi-millionaires of Colorado. Cripple Creek and he both boomed after that adobe dwelling burned. Pshaw! when I think of the many millions that little fire developed I have no patience with my humdrum life, and its petty economies.

"Jim" Ferguson, as we called him, now divides his time between Chicago and Denver. He is a large holder of choice inside property at Denver, and in Chicago is best known by the magnificent Ferguson block on Adams street, a seventeen story office building of marble and steel. It was there that I met him last December when he told me the simple story of his great good luck. He said:

"Five years ago I was at Denver as special agent for the 'Concordia' of San Francisco. While there the company wired me to proceed to Fremont and adjust a supposed total loss of \$500 on an adobe dwelling-house owned by one Jose de La Guerra. The risk had been written by McIntyre and Hayden, our agents at Colorado Springs, from which Fremont was distant eighteen miles as the crow flies, or about twenty-eight miles by road. To be brief, I made the adjustment, found the assured a gentleman, the loss straight, and everything satisfactory.

"While waiting for my team to be brought up to take me back to the Springs, I carelessly looked through the debris of the burned adobe, and on kicking one of the crumbling slabs with my foot was surprised to see it filled with glittering particles. 'Pyrites of iron,' was my first thought; my next was, 'gold!' I decided to take no chances, and before starting secured the assured's stipulation to the effect that he relinquished all claim to the debris. I filled a salt sack with a sample of the adobe and went straight to Denver. The assayer at the Grant Smelter was an old friend and gave me a quick assay which showed that the dirt went \$93,000 to the ton in gold. I hastened back, sacked the entire lot and shipped it to Denver. The net returns were something over \$43,000, some of the dirt being very rich and some poor, but the average was good.

"I sent the proceeds to the company, which immediately declared a five dollar dividend and the stock jumped from \$87 to \$105. The secretary acknowledged receipt of my report of the salvage and its accompanying draft, and referred to my action as being somewhat irregular, but on the whole, acceptable. This I thought cold, so I resigned. Then I hunted up De La Guerra, and bought for \$500 a two-thirds interest in ten acres which he owned at Fremont, on a part of which the adobe bricks had been made, started in placer mining there, and in six weeks we cleaned up \$93,666, of which my share was exactly \$62,444. This rich ground, as everybody knows who has been at Cripple Creek, as Fremont is now called, was immediately back of where the Palace Hotel on Main street now stands.

"Then the town began to boom. I put down six shafts and struck it rich in five of them. One of them proved barren, the 'Independence,' and

I sold it to Stratton, a poor devil of a carpenter who came over from Colorado Springs, for \$250, and told him to pay me if he ever struck it. Two months after, he 'struck it' all right, and to-day is the richest mine-owner at Cripple. He takes out half a million a month from the 'Independence,' and has a standing offer of ten millions for it. Maybe he isn't a good friend of mine! Well, that's all there is to it. Lucky, wasn't I? Let's have a small bottle or two."

E. NILES.

The Chairman—On behalf of the Association we wish to return our thanks to you, Mr. Grant, for the very interesting Knapsack.

On motion, duly seconded, the following fifteen were then elected as members of the Election Committee to serve for the ensuing fiscal year :

#### ELECTION COMMITTEE, 1896.

W. H. Lowden, Chairman,

F. G. Argall,

Geo. H. Tyson,

H. A. Craig,

Geo. F. Grant,

R. V. Watt,

C. Bertheau,

D. E. Miles,

H. M. Grant,

F. J. Devlin,

A. R. Grim,

Geo. D. Dornin,

Wm. Sexton,

C. Mason Kinne,

Geo. E. Butler,

The Chairman—Before adjournment I wish to thank you, one and all, for the interest shown at this meeting. I have been seriously indisposed, and I feel that you have given me your very best support, and I thank you for your indulgence.

(On motion, duly seconded and carried, the Association then adjourned.)

## The Annual Banquet.

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The twentieth annual meeting of the Fire Underwriters' Association of the Pacific terminated with a banquet, as customary, on Wednesday evening, February 19, 1896, at the Maison Riche.

Messrs. George W. Spencer and George F. Grant, who have acted as the dinner committee for many years in a most acceptable manner, eclipsed all their previous efforts, and the result left nothing to be desired. The arrangement of the tables was a happy one, as all the guests were seated so as to see and hear all others to the best advantage. The tables and rooms were decorated with smilax, and strewn with flowers and vines.

The menu was as follows:

<i>Sauternes</i>	Blue Points Sur Coquille	
	Potage:	
	Tortue Verte Claire	
	Hors D'Oeuvres:	
	Anchois sur Croutons	
Olives		Caviar
	Poisson:	
	Striped Bass au Vin Blanc	
	Pommes Nouvelles.	
	Entrees:	
<i>Cabernet</i>	Filet Pique aux Champignons	
	Chicken Saute a la Hongroise	
	Legume:	
	Asperges a la Hollandaise	
	Punch a la Romaine	
	Roti:	
<i>Champagne</i>	Pigeonaux Bardes au Cresson	
	Salade de Laitue	
	Entremet:	
	Pudding Diplomate	

Dessert:  
 Fruits de la Saison  
 Fromage  
 Gateaux Assortis  
 Cafe Noir

The following is a list of the members and guests who were present upon this occasion:

C. F. Mullins	Geo. H. Mendell
Geo. F. Grant	R. P. Fabj
A. M. Thornton	Geo. Leonard
Chas. T. Parker	H. M. Grant
A. A. Andre	W. B. Westlake
E. T. Von Etlinger	C. Mason Kinne
Geo. D. Dornin	J. G. Edwards
V. Carus Driffield	Geo. W. Spencer
B. O. Smalley	D. A. Spencer
W. S. DuVal	Chas. J. Dickman
C. W. Smith	A. F. Gartner
C. O. Scott	Chester Deering
Homer A. Craig	R. Neil
William J. Dutton	R. W. Osborn
E. C. Giltner	Henry T. Fenel
H. Danker	Frank J. Devlin
W. B. Hopkins	Chas. B. Hill
I. S. Watson	V. W. Gaskill
D. E. Niles	Wm. N. Hill
G. Messinger	D. J. Staples
L. B. Edwards	S. M. Anderson
H. Folger	Chas. C. Echlin
Frank Coffin	T. C. Van Ness
A. E. McGill	Rudolph Herold
Wm. Marsh	A. M. Brown
Geo. W. Dornin	H. V. Parkhurst
Louis Weinmann	Frank L. Hunter
Cesar Bertheau	William Sexton
J. D. Maxwell	Henry K. Belden
N. C. Farnum	Chas. W. Grant
Alfred R. Grim	E. G. Sprowl
Franz Jacoby	R. D. Hunter
Rolla V. Watt	F. G. Argall
Geo. A. Crux	A. R. D. Paterson
C. A. Stuart	Clarence H. Howland
M. R. Higgins	Paul M. Nippert
Wm. Maris	A. R. Gunnison
Tudor Tiedeman	Ed. Thompson.



As customary, Mr. V. C. Driffield, the retiring President, occupied the post of honor, with the President-elect, Mr. Herbert Folger, on his left.

The following telegram received from absent members, evincing the great interest which is always taken in the annual dinner by the less fortunate absentees:

BILLINGS, MONT., Feb. 19th, '96.

V. C. Driffield: President Fire Underwriters' Association,

Maison Riche Restaurant, 104 Grant Ave., San Francisco:—

Congratulations and best wishes. With you in spirit. Enthusiasm difficult; thermometer zero.

JOHN T. FOGARTY,  
OTHO N. HALL.

The music, which had been provided through the personal exertions of the President, enhanced the enjoyment of all present to a notable degree. Familiar and popular airs were rendered by an orchestra of four pieces, the quartette, "A Thousand Times Again," given by the insurance quartette (Messrs. Dickman, Hopkins, Coffin and Howland), was enthusiastically received, and solos were sung by Messrs. Hopkins and Coffin, encores being demanded in every case.

After the completion of this delightful programme, the President called upon a few of those present to speak in an informal manner, but found it impracticable to afford to more than half the list of speakers originally prepared, an opportunity to add to the pleasure of those present. The officers elect, President Folger, Vice-President Osborn, Secretary Weinmann and Mr. Geo. W. Dornin, Chairman of the Executive Committee, gave every assurance that the duties and responsibilities falling to them would be faithfully discharged during the coming year.

At this point a flash light photograph of the banquet table was taken.

In response to a call, Mr. F. G. Argall spoke of the influence of the meeting just closed, and the tendency of routine and compact rules to deter members from making themselves heard as often as is desirable. Mr. Argall referred to the library and the comfortable room of the Association, where an hour or two might be whiled

away with profit and pleasure, but of which few members seemed to avail themselves. In view of the brains and executive ability represented by those present, it had occurred to him that an insurance club might be formed—something more than a mere official association—with our own quarters, which should advance the interests of our profession in other than business ways. The speaker urged this new departure, making it seem more than attractive.

Mr. Geo. D. Dornin rose to inquire what becomes of the photographs taken, from time to time, at these insurance banquets, and upon the question being seconded by Mr. Watt, the gentlemen were informed that copies of the last picture could be had at Taber gallery for 75 cents each.

At this point the exercises were varied by recitations given by Mr. Chas. J. Dickman (the designer of the 1896 programme). These included (1) "Casey at the the Bat," (2) "Dennis O'Driscoll's Meeting with Dempsey," and (3) "Charlie," which were loudly applauded.

In response to a call from the President, Mr. William Sexton remarked that the members had been having too much fun and too much to eat, and that he was called upon as a damper. If he were to write a paper it would be entitled, "Be Somebody." In his opinion the best "papers" had been written by Spencer and Grant (the dinner committee), who have done more towards keeping us together than all others. In conclusion Mr. Sexton referred to legislative matters, believing that the insurance interests should be represented on the floor of the legislature, and that men in business ought to take a little more stock in it.

Mr. M. W. Higgins, Insurance Commissioner of California, returned his thanks for the courteous treatment received from insurance men, offered several valuable suggestions, and promised to be present at the next Association meeting.

Mr. T. C. Van Ness referred to the suggestion for an insurance club, which had struck him favorably. He doubted whether any discoveries had advanced the happiness of the world except those of hygiene; for while others increased the opportunities of business,

they also increased our labors. In his opinion the pleasures of this material age are largely spoiled by the telegraph, but he qualified this by a hearty approval of the message from Mr. Cofran, which had brought together friends at so great a distance.

After another pleasing quartette, the President called upon Mr. D. J. Staples, so often called the father of the Association. He reminded his boys that a year ago he had come to the banquet with trembling limbs, but could not forego the pleasure, although feeling that for him the last time had come. To-day instead of being ready to quit, he gave all notice that he intended to stay with them for some time longer. At the last election of the Fireman's Fund he had been elected a Director for the thirtieth time. Mr. Staples added that the wise men of to-day were boys thirty years ago, and that to a large extent, he felt alone now. While he lived it would be one of his greatest pleasures to come to this Board. He believed that there were no other class of men in any other walk of life who stand as well as insurance men, and spoke for a little time upon the present difficulties of the Pacific Coast situation.

Mr. R. V. Watt regretted that the President in calling upon him had made the fatal error of going back to the old names so familiar at annual banquets, but remarked that this occasion, his 39th birthday, was one of special gratification to him personally.

Loud applause followed a reference by the President to the acceptable efforts of the Dinner Committee: it being recognized by the members that all the good things are due to the two Georges. After the song, "For They are Jolly Good Fellows," brief but telling responses were made by Mr. Geo. W. Spencer and Mr. Geo. F. Grant. One of them remarked that their committee would perform that duty which every speaker had avoided. They wished to say that the meeting had been better than ever before, that the papers had contained more meat than on any former occasion, and that more new members had been brought forward into prominence. They suggested that it was only right to drink the health of President Driffield, who acknowledged the toast in his usual happy manner, and the dinner ended spontaneously at midnight by the singing of "Auld Lang Syne."

THE CLOUD OF POVERTY ALLEY.

By R. W. OSBORN.

SUNG AT THE BANQUET OF THE FIRE UNDERWRITERS' ASSOCIATION.

*(If Sung to the Tune of "Sunshine of Paradise Alley," it will go with apologies.)*

There's a street in each town, on which the rich frown.  
Where the poor, both the day and night rally,  
They congregate there, to wail and despair,  
And we call the place Poverty Alley.  
It's a place of dry bread, tattered clothes to a shred,  
Where abound those who make the tamale,  
Yet others go there, for the Bull and the Bear  
Often times live in Poverty Alley.

CHORUS:—

If you're wise, don't throw your bread away,  
For bad faith and cunning will soon have their day,  
Cling to hope and yield not to dismay:  
Fate will not cast you in Poverty Alley.

Now insurance was fine, like our Golden Gate wine,  
We'd a place for the compact to rally,  
But greed tempted Fate, and down went the rate.  
And brought us to Poverty Alley.  
We all entered there, in utter despair.  
And exchanged our fish, fowl for tamale.  
Alas! up to date, you can hear them all prate  
'Bout the cloud over Poverty Alley.

CHORUS:—

At first it was fun, to make each man run,  
For the risk of Smith, Jones or O'Mally,  
But now it's quite sad, for the rate that we had,  
Lines the cloud over Poverty Alley.  
The fighting began, with attacking each man  
And snatching away his tamale;  
For the olive fought some, for the chicken all come,  
Till the husk 's left in Poverty Alley.

CHORUS:—

Now this fighting went on, till new evils were born,  
And nothing was left of tamale;  
Not even a crumb, as big as your thumb,  
Was in sight in our Poverty Alley.  
The feeling got worse, till each thought was a curse,  
At the rate of Smith, Jones or O'Mally;  
And the rain it did pour, while the thunder did roar,  
Then the sun shone in Poverty Alley.

CHORUS:—



## LIST OF MEMBERS.

## ACTIVE MEMBERS.

1. Agard, J. J., Special Agent, Hartford Fire Insurance Company.
2. Anderson, Hugh, Adjuster, Salt Lake, Utah.
3. Andre, A. A., Independent Adjuster.
4. Argall, F. G., Special Agent, Balfour, Guthrie & Co.
5. Ashton, Geo. F., Special Agent, Fireman's Fund Ins. Co.
6. Avery, Frank M., Special Agent, W. J. Callingham.
7. Bagley, W. H., Assistant Manager, North British & Mercantile Insurance Co.
8. Bailey, J. D., General Agent, Insurance Company of North America.
9. Bangs, Franklin, Assistant Secretary, Home Mutual Insurance Company.
10. Barnett, B. N., Adjuster, Portland, Oregon.
11. Bates, Leslie, Special Agent, Gutte & Frank's Agency.
12. Beck, J. M., Manager, Fire Association of Philadelphia.
13. Beckett, L. J., Special Agent, New Zealand Ins. Co.
14. Belden, H. K., Manager, Hartford Fire Insurance Company.
15. Bertheau, C., Manager, Hanover Insurance Company.
16. Bertheau, Max A., Assistant Manager, Hanover Insurance Co.
17. Boardman, Geo. C., General Agent, Ætna Insurance Company.
18. Boyd, H. C., Assistant Manager, Rudolph Herold's Agency.
19. Bromwell, L. L., General Agent, Milwaukee Mechanics Insurance Company.
20. Broomell, B. B., Special Agent, National of Hartford Fire Insurance Co.
21. Brown, A. M., Special Agent, Brown, Craig & Co.
22. Brown, Edward, General Agent, Brown, Craig & Co.
23. Brush, R. G., Special Agent, Liverpool & London & Globe Insurance Company.
24. Burke, H. R., Special Agent, Royal and Queen Insurance Companies.
25. Butler, Geo. E., General Agent, Phoenix Assurance Company of London.
26. Callingham, W. J., General Agent, Scottish Union and National, and Orient Insurance Companies.

27. Chalmers, W. L., Adjuster, Portland, Oregon.
28. Christensen, Chas., Manager, Delaware and American Central Insurance Companies.
29. Cofran, J. W. G., Assistant Manager, Hartford Fire Insurance Company, Chicago, Ill.
30. Conrad, J. G., General Agent, Voss, Conrad & Co.
31. Craig, Homer A., General Agent, Brown, Craig & Co.
32. Craig, Hugh, Manager, New Zealand Insurance Company.
33. Danker, H., Assistant Manager, Transatlantic Fire Insurance Company.
34. Deering, Chester, Special Agent, Brown, Craig & Co.
35. Delafield, Robt. H., Special Agent, Norwich Union Fire Insurance Society.
36. DeVeuve, James H., Special Agent, Lancashire Ins. Co., Kansas City, Mo.
37. Devlin, Frank J., Manager, Atlas Assurance Company.
38. Dibbern, J. H., of Manheim, Dibbern & Co., City Agents.
39. Dick, B. C., Special Agent Butler & Haldan Agency.
40. Dickson, Robert, Manager, Royal Exchange and Connecticut Insurance Companies.
41. Donnell, A. C., General Insurance Agent, Okell, Donnell & Co.
42. Dornin, Geo. D., Manager, National Fire and Springfield Insurance Companies.
43. Dornin, Geo. W., Assistant Manager, National Fire and Springfield Insurance Companies.
44. Driffield, V. C., Manager, Transatlantic Fire Insurance Company.
45. Dugan, A. G., Special Agent, Louisville, Kentucky.
46. Dutton, W. J., Vice-President, Fireman's Fund Insurance Co.
47. DuVal, W. S., General Manager Pacific Coast Department, Continental Insurance Company.
48. Ecklin, Chas. C., Special Agent, Home Mutual Insurance Co.
49. Edwards, L. B., Superintendent of Agencies, with Balfour, Guthrie & Co.'s Agency.
50. Fabj, R. P., Special Agent, Fireman's Fund Insurance Co.
51. Farnsworth, Ed. P., Adjuster, 401 California street.
52. Farnum, N. C., Special Agent, Home Mutual Insurance Co.
53. Faymonville, Bernard, Second Vice-President and Secretary, Fireman's Fund Insurance Company.
54. Fennel, Henry T., Special Agent, Palatine Insurance Co.

55. Fogarty, J. T., Special Agent, R. V. Watt's Agency.
56. Folger, Herbert, Manager, Portland Branch, New Zealand Insurance Company.
57. Francis, Guy, Special Agent, Robert Dickson Agency.
58. Frank, Wm., General Agent, Gutte & Frank's Agency.
59. Frazer, W. A., Special Agent, Delaware and American Ins. Co.
60. Friend, W. H., Secretary, Sun Insurance Company of S. F.
61. Fuller, J. L., Assistant Manager, Norwich Union Fire Insurance Society.
62. Gartner, A. F., Special Agent, Phoenix and Home Insurance Companies, Portland, Oregon.
63. Gazzam, W. L., Special Agent, Aetna Insurance Company, Seattle, Wash.
64. Gibbons, W. H., Special Agent, Brown, Craig & Co.'s Agency.
65. Gilcrest, Frank M., Special Agent, Royal and Queen.
66. Grant, Geo. F., Manager, London and Northern Assurance Companies.
67. Grant, H. M., Manager, Western of Toronto, British America and American of N. Y. Insurance Companies.
68. Grant, Tom C., Manager, North British & Mercantile Insurance Company.
69. Gunnison, A. R., Adjuster, Palatine Insurance Company.
70. Greene, M. J., Special Agent, Continental Insurance Company.
71. Grim, Alfred R., Assistant Manager, Alliance Assurance Company of London.
72. Gutte, I., General Agent, Gutte & Frank.
73. Haldan, E. B., General Agent, Phoenix Assurance Company of London.
74. Hall, O. N., Special Agent, Voss, Conrad & Co.
75. Halsey, H. G., Special Agent, Fireman's Fund Insurance Co.
76. Hamilton, J. K., Special Agent, Insurance Company of North America.
77. Haven, Charles D., Resident Secretary, Liverpool & London & Globe Insurance Company.
78. Herman, A., Adjuster, Spokane, Wash.
79. Herold, Rudolph, General Agent, Hamburg-Bremen and Niagara Insurance Companies.
80. Hewitt, Dixwell, Special Agent, Union Assurance Society.
81. Hill, Wm. H., Special Agent, Brown, Craig & Co.
82. Hillman, J. R., City Agent, Rolla V. Watt Agency.
83. Holmes, Jno. M., Special Agent, Hartford Fire Insurance Co.

84. Hopkins, W. B., Special Agent, London & Lancashire Fire Insurance Company.
85. Hunter, R. D., Special Agent, Fireman's Fund Insurance Co.
86. Hughes, Ed. O., Special Agent, Palatine Insurance Company.
87. Ives, S. D., General Agent, Fireman's Fund Insurance Co.
88. Jacoby, Franz, Cesar Bertheau Agency.
89. James, N. T., United States Manager for Alliance Assurance Company.
90. Jones, Alfred, Adjuster, 150 S. Broadway, Los Angeles.
91. Kinne, C. Mason, Assistant Resident Secretary, Liverpool & London & Globe Insurance Company.
92. Lamping, L. F., Special Agent, Springfield Insurance Co.
93. Lanktree, J. B., Alameda, Cal.
94. Laton, Chas. A., Manager, Palatine and United Fire Insurance Companies.
95. Lavery, J. G., Adjuster, 423 California street.
96. Leonard, Geo., Assistant Manager, Transatlantic Insurance Company.
97. Lockey, Richard, Adjuster, Helena, Montana.
98. Lord, Leslie, Special Agent, Geo. D. Dornin.
99. Lowden, W. H., Manager, Norwich Union Fire Insurance Society.
100. Macdonald, Wm., Manager, London & Lancashire Fire Ins. Co.
101. Magill, A. E., General Agent, Phoenix and Home Insurance Companies.
102. Mailliard, J. W., Insurance Agent, Balfour, Guthrie & Co.
103. Mann, H. R., Manager, Mann & Wilson's Agency.
104. Manning, F. J. H., Special Agent, Palatine Insurance Co.
105. Maris, Wm., Special Agent, Royal and Queen Ins. Companies.
106. Marshall, J., Jr., Special Agent, Robert Dickson's Agency.
107. Maxwell, J. D., Insurance Agency, 421 California street.
108. McCarthy, Thomas J., Adjuster, 401 California street.
109. McElhone, F. H., Special Agent, Fireman's Fund Insurance Company.
110. McKowen, J. H., Adjuster, Spokane, Wash.
111. McVean, D., Special Agent, Transatlantic Fire Insurance Company.
112. Meade, Calvert, Adjuster, 420 California street.
113. Medcraft, R. C., Branch Secretary, Sun, Imperial and Lion Insurance Companies.



114. Mel, Louis, Special Agent, Ætna Insurance Company.
115. Mendell, Geo. H., Jr., Special Agent, Fireman's Fund Insurance Company.
116. Merrill, M. H., Special Agent, Ins. Co. North America.
117. Miles, D. E., Assistant Manager, London & Lancashire Fire Insurance Company.
118. Mitchell, Geo. M., Adjuster, New Zealand Insurance Company.
119. Morrison, Ed. C., Special Agent, Ætna Insurance Company.
120. Morrow, J. H., Special Agent, W. J. Callingham's Agency.
121. Mullins, C. F., Manager, Commercial Union Assurance Co.
122. Naunton, R. H., Adjuster, Safe Deposit Building.
123. Niebling, E. T., Special Agent, Commercial Union Assurance Company.
124. Niles, Edward, Special Agent, North British and Mercantile Insurance Company.
125. Nippert, Paul M., Special Agent, Home and Phoenix Insurance Companies.
126. Okell, Charles J., Okell, Donnell & Co., 411 California street.
127. Osborn, R. W., Special Agent, Brown, Craig & Co.'s Agency.
128. Palcahe, Whitney, Assistant Manager, Hartford Fire Insurance Company.
129. Parker, Chas. T., Assistant Manager, Palatine Insurance Company.
130. Parker, S. S. C., Special Agent, Okell, Donnell & Co.
131. Paterson, A. R. D., Special Agent, Westchester Fire Ins. Co.
132. Pope, T. E., Assistant General Agent, Ætna Insurance Company.
133. Scott, Chas. O., Special Agent, Insurance Company of North America.
134. Seaton, L. M., Special Agent, Fireman's Fund Insurance Company.
135. Sewell, A. F., Special Agent, Hanover Insurance Company.
136. Sexton, Wm., General Adjuster, Fireman's Fund Ins. Co.
137. Sinclair, A. P., Special Agent, Phoenix and Home Insurance Companies.
138. Smalley, B. D., Adjuster, Seattle, Wash.
139. Smedberg, W. R., Smedberg & Mitchell's Agency.
140. Smith, Ben. J., Special Agent, Robert Dickson's Agency.
141. Smith, C. W., Balfour, Guthrie & Co.
142. Smith, H. Brownson, Adjuster, Dallas, Texas.

143. Smith, H. H., Special Agent, Catton, Bell & Co.
144. Smith, Sidney H., Special Agent, London & Lancashire Fire Insurance Company.
145. Spencer, D. A., General Agent, Westchester Fire Ins. Co.
146. Spencer, Geo. W., Manager, Manchester, Caledonian and American Insurance Companies.
147. Spencer, H. McD., Special Agent, Balfour, Guthrie & Co.
148. Speyer, Walter M., Special Agent, Mann & Wilson.
149. Spinney, Chas. S., Special Agent, Butler & Haldan's Agency.
150. Sprowl, Edw. G., Special Agent, Liverpool and London and Globe Insurance Company.
151. Staples, D. J., President, Fireman's Fund Insurance Co.
152. Stillman, A., Chief Surveyor Northwest Insurance Association.
153. Story, Chas. R., 1778 Green street.
154. Storey, Frank C., American Central and St. Paul Ins. Companies.
155. Stoy, Samuel B., Special Agent, London & Lancashire Fire Insurance Company.
156. Stuart, C. A., Assistant Manager, Western of Toronto, British America, American of New York Insurance Companies.
157. Thomas, W. P., Superintendent of Agencies, Commercial Union Assurance Company.
158. Thompson, E. L., Special Agent British America & Western.
159. Thompson, Chas. R., Special Agent, German-American Ins. Company.
160. Thornton, A. W., Special Agent, Cesar Bertheau Agency.
161. Tiedemann, Tudor, Special Agent, Brown, Craig & Co.
162. Turner, G. W., General Agent, Northwestern National Ins. Company.
163. Tyson, Geo. H., General Agent, German-American Insurance Company.
164. Tyson, R. J., Special Agent, German-American Insurance Co.
165. Voss, F. G., General Agent, Voss, Conrad & Co.
166. Warren, Albert M., Special Agent, Milwaukee Mechanics Ins. Company.
167. Watt, Rolla V., Manager Royal and Queen Insurance Companies.
168. Watson, I. S., Home Mutual Insurance Company.
169. Weinmann, Louis, Assistant Secretary, Fireman's Fund Ins. Company.

170. Wenzelburger, A., Adjuster, 508 California street.
171. Westlake, W. B., Special Agent, Home Mutual Insurance Co.
172. Wetzlar, A. J., Fire Insurance Adjuster. (Deceased.)
173. Wheeler, Dalton, Adjuster, Los Angeles, Cal.
174. White, F. G., Special Agent, Fireman's Fund Insurance Co.
175. Whitley, N. B., Special Agent, Brown, Craig & Co.
176. Wilson, D. B., Adjuster, Safe Deposit Building.
177. Wilson, J. Scott, Manager, Mann & Wilson's Agency.
178. Williams, T. H., Special Agent, German-American Insurance Company.
179. Wright, L. A., Special Agent, Scottish Union & Orient.
180. Young, Frank W., Independent Adjuster, Denver, Colorado.

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#### HONORARY MEMBERS.

- Bigelow, H. H., Adjuster, San Francisco.  
Brodrick, W. J., Insurance Agent, Los Angeles.  
Carpenter, E. W., 1217 Jones street, San Francisco, Cal.  
Conroy, T. J., Special Agent, Hartford Fire Insurance Company.  
Portland, Ore.  
Dudley, W. W., Manager, Manchester Fire Assurance Company,  
Chicago.  
Edwards, J. G., Publisher Coast Review, San Francisco.  
Houghton, J. F., San Francisco.  
Hine, C. C., Editor Insurance Monitor, New York.  
Jack, A. Hill, General Manager, National Insurance Company of  
New Zealand.  
Kirby, D. L., No. 1 Pine Street, New York City.  
Low, Geo. P., Electrical Inspector, Board of Fire Underwriters.  
McLellan, G. F., Insurance Agent, Los Angeles.  
Olmstead, W. N., 62 Cedar Street, room 10, New York.  
Parkhurst, H., Surveyor, Board of Fire Underwriters, Portland, Or.  
Porter, F. H., 303 California Street, San Francisco.  
Smith, A. D., Surveyor, Board of Fire Underwriters, Los Angeles,  
California.  
Winne, Peter, Helena, Montana.

## JOHN D. BRADFORD.

*The taking off of dear friends is indeed a sorrow that finds inadequacy of consolation in mere forms of words, yet we naturally desire to give expression to our feelings in proper tribute.*

*Mr. John D. Bradford, a member of this Association, passed from life on the 22nd day April, 1895. His association with us was brief, but during its time he exemplified those sterling qualities of heart and mind that found appreciation in our own and were sensibly met in reciprocation by ties of deep friendship and admiration.*

*RESOLVED, That in his untimely death the Fire Underwriters' Association of the Pacific has lost an honored member, and that we testify to his generous and companionable nature, his wealth of intellectual capacity and his remarkably clear instincts of honor, all of which have characterized his life's history.*

*RESOLVED, That a copy of these resolutions be sent to the bereaved family, also to the Fire Association of Philadelphia, for which Mr. Bradford was the late manager.*

*Respectfully submitted,*

*H. M. GRANT, Chairman.*

*A. G. DUGAN,*

*R. W. OSBORN,*

*Committee,*





# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

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### OFFICERS FOR 1896.

President . . . . . HERBERT FOLGER  
Vice-President . . . . . R. W. OSBORN  
Secretary and Treasurer . . . . . LOUIS WEINMANN

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### EXECUTIVE COMMITTEE.

FRANK J. DEVLIN      GEO. W. DORNIN      WHITNEY PALACHE

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### LIBRARY COMMITTEE.

F. G. ARGALL      GEO. W. DORNIN      CHAS. C. ECHLIN

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### DINNER COMMITTEE.

GEO. W. SPENCER      GEO. F. GRANT

---

California Knapsack—GEO. F. GRANT, Editor

ED. NILES, Assistant Editor









PROCEEDINGS

OF THE

Twenty - First Annual Meeting

OF THE

Fire Underwriters' Association

OF THE PACIFIC



San Francisco, Cal., February 16th and 17th, 1897

PRINTED BY ORDER OF THE ASSOCIATION

1897

THE COAST REVIEW JOB PRINT

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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

### TWENTY-FIRST ANNUAL MEETING

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# FIRE UNDERWRITERS' ASSOCIATION

## OF THE PACIFIC

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### OFFICERS FOR 1896.

President . . . . .	HERBERT FOLGER
Vice-President . . . . .	R. W. OSBORN
Secretary and Treasurer . . . . .	LOUIS WEINMANN

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FRANK J. DEVLIN	GEO. W. DORNIN	WHITNEY PALACHE
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### LIBRARY COMMITTEE.

F. G. ARGALL	GEO. W. DORNIN	CHAS. C. ECHLIN
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### DINNER COMMITTEE.

GEO. W. SPENCER	GEO. F. GRANT
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California Knapsack—GEO. F. GRANT, Editor

ED. NILES, Assistant Editor

# Fire Underwriters' Association

OF THE PACIFIC.

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## *FIRST DAY.*

SAN FRANCISCO, CAL., February 16th, 1897.

The twenty-first annual meeting of the Fire Underwriters' Association of the Pacific was called to order by the President, Herbert Folger, on Tuesday, February 16th, 1897, at 10 o'clock A. M.

On motion, there being no objection, it was ordered that the calling of the roll be dispensed with, and that the Secretary be requested to note those present.

The following members and visitors were present:

Andre, A. A.  
Argall, F. G.  
Bailey, J. D.  
Bailey, A. E.  
Bagley, W. H.  
Belden, H. K.  
Bacon, E. H.  
Bertheau, Cesar  
Bertheau, Max. A.  
Bangs, Franklin  
Butler, Geo. C.  
Boardman, T. D.  
Boardman, G. C.

Hill, W. H.  
Hamilton, J. K.  
Haven, Chas. D.  
Klinger, Wm.  
Kinne, C. Mason  
Kellem, T. B.  
Leonard, Geo.  
Landers, W. J.  
Lee, Hiram H.  
Lowden, W. H.  
Maxwell, J. D.  
Meade, Calvert  
Mel, Louis

Bromwell, L. L.  
Brewster, Jas. H.  
Conrad, J. G.  
Carey, J. A.  
Chard, Thomas S.  
Callingham, W. J.  
Clemens, W. J.  
Campbell, Warren  
Danker, H.  
Devlin, F. J.  
Delafield, R. H.  
Dornin, Geo. D.  
Driffield, V. Carus  
Dutton, W. J.  
Dickson, Robt.  
Edwards, L. B.  
Edwards, J. G.  
Echlin, Chas. C.  
Eitel, Edw. E.  
Farnsworth, E. P.  
Fabj, R. P.  
Faymonville, B.  
Folger, Herbert  
Folger, Clinton  
Fennel, Henry T.  
Frank, Wm.  
Fogarty, J. T.  
Gibbons, W. H.  
Grant, Geo. F.  
Grant, H. M.  
Grant, Tom C.  
Gutte, I.  
Gilbert, Chas. R.  
Gunnison, A. R.  
Gazzam, W. L.

Magill, A. E.  
Medcraft, R. C.  
Mendell, Geo. H. Jr.  
Macdonald, Wm.  
Mullins, C. F.  
Miles, D. E.  
Maris, Wm.  
Morrison, E. C.  
Neal, Robt. W.  
Nippert, Paul M.  
Osborn, R. W.  
Parker, Chas. T.  
Porter, F. H.  
Palache, Whitney  
Palache, Thomas H.  
Pope, T. Edward  
Parkhurst, H. E.  
Purcell, J. J.  
Sexton, Wm. T.  
Sinclair, A. P.  
Scott, Chas. O.  
Staniford, F. C.  
Staples, D. J.  
Spencer, Geo. W.  
Spencer, D. A.  
Smalley, B. D.  
Stuart, C. A.  
Smith, B. J.  
Thompson, E. L.  
Thornton, A. W.  
Thomas, W. P.  
White, Warren S.  
White, F. G.  
Wright, L. A.  
Wright, G. Alex.

Grim, A. R.	Weinmann, L.
Hill, C. B.	Whitley, N. B.
Holmes, Jno. M.	Webber, J. F. R.
Hunter, R. D.	Watt, Rolla V.
	Watson, I. S.

The Secretary then read his annual report, as follows:

### SECRETARY'S REPORT.

SAN FRANCISCO, CALA., Feb. 16, 1897.

*To the Fire Underwriters' Association of the Pacific; Mr. President and Members of the Association:*

GENTLEMEN:—

I have the honor to hand you herewith my annual report as Secretary and Treasurer for the fiscal year ending February 16th, 1897.

On February 19th, 1896, at the close of our annual meeting, we had an active membership of 180. Eight new members were added to the list since then, making a total membership of 188. This number has been decreased by four resignations, one death, and one dropped from the roll for non-payment of dues.

Besides this, Chas. R. Story has been transferred from the active to the honorary list of membership. The active membership is therefore 181, being one more than we had at the opening of the year.

The number of honorary members at the commencement of the year was 17, but is now 23. The following gentlemen have been duly elected, viz:

James R. Garniss, C. M. Nichols, E. F. Mohrhardt, Robert W. Neal, J. A. Carey and Chas. R. Story.

Death has invaded our ranks and taken from us one of our brightest and best members, one who stood highest in his profession, A. J. Wetzlar.

Five meetings have been held during the year with an average attendance of fifteen. The presence of more members at our quarterly and special meetings would be productive of much good.

The Secretary regrets that more interest is not evinced in the welfare of the Association by the purchase of our Annual Proceedings for the purpose of distribution. If the proceedings had a wider circulation they would bring our Association into more prominence, causing an incentive for diffusing more insurance knowledge and doing better work.

To avoid annoyance and an apparent inattention to his duties the Secretary is compelled to again ask that change in address be at once sent in. Few complaints have been made that proceedings and notices have not been received, when the fault lies with the member not notifying the Secretary of change in address.



It is a source of much gratification that we are financially in such a flourishing condition. The Treasurer's report will show that we have a larger balance to our credit this year than last, notwithstanding that about two hundred dollars more were paid out than in ordinary years.

Thanking the members, one and all, for the many courtesies extended to me as Secretary during the past year, I am

Yours very respectfully,

LOUIS WEINMANN,

Secretary.

### TREASURER'S REPORT.

SAN FRANCISCO, CALA., February 16th, 1897.

*To the Underwriters' Association of the Pacific; Mr. President and Gentlemen:*

I have the honor to hand you herewith my report as Treasurer for the fiscal year ending February 16th, 1897.

#### RECEIPTS.

Balance on hand February 18, 1896 . . . . .	\$679 65
Received from dues . . . . .	900 00
Received from sale of badges . . . . .	14 00
Received from sale of annual proceedings . . . . .	12 00
Received from admission fees . . . . .	25 00—\$1,630 65

#### DISBURSEMENTS.

1896.

Feb. 21. Salary of Secretary (Louis Weinmann) . . . . .	\$100 00
Feb. 26. Dickman-Jones Co. . . . .	40 00
Mch. 6. Reporting and transcribing Annual Proceedings. . . . .	51 05
Mch. 13. D. S. Stanley & Co. . . . .	48 50
Mch. 30. Library Committee . . . . .	25 00
April 7. Badges . . . . .	8 00
April 13. Library Committee . . . . .	25 00
April 15. Dutton & Partridge . . . . .	60
April 16. Taxes . . . . .	2 25
April 25. Delivering notices and stamps . . . . .	1 50
April 29. Library Committee . . . . .	50 00
May 8. Floral piece of A. J. Wetzlar . . . . .	10 00
May 16. Library Committee . . . . .	25 00
May 18. Rent of assembly room (Feb., March and April) . . . . .	30 00
May 19. Printing . . . . .	12 00
May 27. Wm. J. Mitchell (see voucher No. 216) . . . . .	5 30
June 8. Printing Annual Proceedings . . . . .	249 35
July 21. Delivering notices . . . . .	1 70
July 27. D. S. Stanley & Co. . . . .	1 75
Aug. 8. Badges . . . . .	8 00

Aug. 14.	Printing August notices . . . . .	1 75	
Aug. 19.	Library Committee . . . . .	2 25	
Aug. 21.	H. W. Mortimer . . . . .	5 00	
Aug. 22.	W. J. Mitchell . . . . .	1 60	
Sept. 19.	Rent of assembly room (May, June and July) . .	30 00	
Sept. 23.	D. S. Stanley & Co. . . . .	4 50	
Sept. 28.	W. J. Mitchell . . . . .	50	
Oct. 16.	Weekly Underwriter . . . . .	5 00	
Oct. 22.	Dutton & Partridge . . . . .	1 40	
Oct. 29.	Library Committee . . . . .	13 00	
Oct. 29.	Library Committee . . . . .	3 50	
Nov. 20.	D. S. Stanley . . . . .	1 75	
Nov. 25.	Delivering notices and stamps . . . . .	1 60	
Dec. 2.	Rent of assembly room (Aug., Sept. and Oct.) . .	30 00	
Dec. 30.	Fireman's Fund Ins. Co. . . . .	5 70	
1897.			
Feb. 10.	Payot, Upham & Co. . . . .	10 75	
Feb. 12.	Rent of assembly room (Nov. and Dec. '96 and Jan. '97) . . . . .	30 00	
Feb. 15.	Printing . . . . .	1 75	
Feb. 15.	W. J. Mitchell (delivering notices and stamps)	5 00—	\$850 05
Balance on hand Feb. 16th, 1897 . . . . .			\$780 60

LOUIS WEINMANN,

Treasurer.

On motion, duly seconded, the reports of the Secretary and Treasurer were approved as read and ordered printed in the annual proceedings.

Then followed the report of Mr. Frank J. Devlin, Chairman of the Executive Committee, as follows:

# REPORT OF EXECUTIVE COMMITTEE.

*Mr. President and Gentlemen:—*

Following an established precedent and in pursuance of a provision of our Constitution, your Committee examined the books of the Secretary and Treasurer and found them correct. Vouchers were presented for every outlay and these were carefully examined, and we must compliment the Secretary and Treasurer for the simple yet thorough manner in which the accounts of the Association have been kept.

The continued unsettled condition of insurance affairs has caused some of our members to drop out, but fortunately we still have a large membership. The enrolled membership at the present time is 181—8 new members were admitted, and by death we lost 1 member, Mr. A. J. Wetzlar, 4 mem-

bers resigned, 1 was dropped from the rolls, and transferred to the honorary list. Six honorary members were elected, viz.:

JAS. R. GARNISS,

C. M. NICHOLS,

E. F. MOHRHARDT,

ROBT. W. NEAL,

CHAS. R. STORY,

J. A. CAREY.

The Association received in dues, \$900, fees \$25, sale of Annual Proceedings, \$12, badges, \$14.

The total receipts for the year were \$951, and the expenditures \$850.05. The cash balance on hand at this date amounts to \$780.60, which is \$100.95 more than the Association had on hand at the beginning of 1896, which is a source of gratification.

The Committee have but few recommendations to make, but we would urge upon the members to purchase as many copies of the Annual Proceedings as possible, the Association receiving but \$12 from the sale of those published last year.

Punctual payment of dues will aid the Secretary in his labors. Changes of address should be at once reported to the Secretary.

Respectfully submitted,

FRANK J. DEVLIN, Chairman.

WHITNEY PALACHE,

GEO. W. DORNIN.

Mr. Weinmann—I think the report needs a correction as to the number of new members, taking the three new members that were elected this morning. That would make eight new members, instead of five.

The President—The committee will be permitted to amend its report.

On motion, the report, as amended, was adopted and ordered printed in the annual proceedings.

The report of the Library Committee was deferred, on account of the absence of Mr. Argall.

President Folger then delivered his annual address, as follows:

#### THE PRESIDENT'S ADDRESS.

*Gentlemen of the Fire Underwriters' Association of the Pacific:*

The brightest and yet the saddest hour in the career of every President of this Association must be that in which he comes to render an account of his stewardship, to present his last recommendations, to offer the last words of counsel to those younger members who are striving to win similar

honors in the future. The brightest—because this is the hour of triumph, the point of honor beyond which none of us can go by preferment among our fellows, the time to which all have looked forward with longing eyes. The saddest—because it is inevitable that each one must feel regret at his shortcomings, with a sense of disappointment at the result of the work of a year for which so much good was planned. But the Association, as well as its members, has its failures and discouragements; and it behooves us to put behind all that is gone, and to press forward with zeal and renewed enthusiasm. Believing this, I shall spend no time in recounting what has been left undone, but rather seek to turn your thoughts to the opportunities which lie before us.

First, however, I must ask you to give a few moments' thought to the memory of one who, during the years of my acquaintance with him, gave place to no other in a warm and constant interest in the affairs of this Association. Alexander Joseph Wetzlar, judged by the minutes and published proceedings, was one of our most devoted members. Never absent from our sessions when in the city, he made it a point to contribute papers freely and to take part in all discussions affecting questions with which he was familiar. Independent of any office, his abilities as an adjuster commanded the respect of all; and he has been, and will long be, missed in important cases demanding extensive knowledge, wide experience and a grasp of technical details and legal decisions. As intimated on this floor some years ago, it was his hope to crown his life work as an adjuster by the publication of a handbook, which seems never to have been completed. A few months ago, when I met him in Portland, Oregon, Mr. Wetzlar expressed the intention of preparing a paper for this occasion to be entitled—"Salvage on Wheat in Elevators"—which could not have failed to be both valuable and interesting. I can do no more than to echo the sentiments expressed in the report of the committee appointed to prepare a memorial, and to recommend that it be printed upon a page to be set apart for the purpose in the journal of our annual proceedings.

#### QUARTERLY MEETINGS.

I agree with the more recent of my predecessors in believing that quarterly meetings are better suited for our work than those held monthly; but it cannot be denied that these gatherings attract but few of our members and seem to have accomplished little of practical value. This need not discourage us, however; for the Fire Underwriters' Association of the Northwest, which set us the example of concentrating all our powers upon an annual gathering, holds no meetings during the rest of the year, except upon the part of its executive committee, while the English Institutes, with frequent meetings, rarely attempt the consideration of more than one paper at a time. During my administration, the interests of the Association have suffered from the fact that I was a resident of another city until within the past six weeks; and I trust my successor will be able to display a better record a year hence.



## LIBRARY.

Our library has had a varied experience. But it has come to be a most valuable collection of books and pamphlets for general reference, and the objection sometimes urged against the further expenditure of money—that but few ever consult the contents of its shelves—is unworthy of serious consideration. No reference library is ever used by any large number of those who have access to it; and the sums invested will have been wisely employed if one member every year writes a thoughtful paper, and avails himself of the rich material within his reach, for our edification. As soon as the new catalogue has been prepared, and your president is responsible for the delay in completing it, the Association will discover that much has been added in recent years which will well repay perusal. The rooms bear testimony to the good and thorough work done by the committee, as outlined in their report.

The treasurer has presented a most gratifying report to you, showing a handsome balance on hand; and it will be for you to determine whether there are any new avenues of usefulness open to us in which some of this money may be profitably expended. The close of an epoch in our associate existence leads me to present a question which must force itself upon your consideration within a few years. Inquiry has elicited the information that not more than eleven complete sets of our proceedings are known to exist at the present time; and I give the names of the owners in order that these valuable series may not be lost, and that others may apprise us if they are so fortunate as to possess sets. The list follows:

The Association Library; National Board of Fire Underwriters; Insurance Library Association of Boston; F. G. Argall; George F. Ashton; Herbert Folger; George F. Grant; H. M. Grant; W. H. Lowden; W. P. Thomas; C. Mason Kinne.

It is curious to observe that the lamented J. W. Staples, for seven years our Secretary, gave special attention to the preservation of early report, and it is still possible for one to secure a set for the years 1876-1882 inclusive; but the example was not followed thereafter, and reports for 1883, 1884, 1885, 1889 and 1891 are out of print. The Fire Underwriters' Association of the Northwest had a like experience, and began to republish its proceedings a few years ago in volumes each containing five years' reports. The expense was needlessly heavy, and the sales inadequate to reimburse the Association for more than a fraction of the outlay. I have been assured, however, that we can have the proceedings for one or more years reprinted at a cost not likely to exceed \$1.10 per page; and I recommend that the Secretary be instructed to announce in his next circular to members, that subscriptions will be received at the rate of \$1.00 per year, beginning with 1883, with the understanding that no action shall be taken until subscriptions shall have been received for thirty copies. Future officers and members will undoubtedly be willing to pay the subscription price for old reports; and the Association can afford to make up the difference between the cost of each edition and the amounts subscribed.

FIRE UNDERWRITERS' CLERKS' ASSOCIATION.

A few years ago, it was suggested that the members of the Fire Underwriters' Clerks' Association be invited to prepare papers for competitive examination, the most creditable to be selected by a committee from our own number and published as a part of our annual proceedings. Two papers were received in 1895, but the invitation was without result last year. I am assured by the President of our junior Association that three or more papers are likely to be submitted to-day; and I hope to have the pleasure of presenting one of them to you before the close of our annual session. At the last quarterly meeting, I urged the propriety of recognizing papers of special merit prepared by the clerks, in a substantial manner, aside from the compliment of reading and publishing them; but the sense of the meeting was adverse to the offer of any money prize. Nevertheless, this is the custom in Great Britain, where some very carefully prepared essays have been received from so-called associate members, it being understood that the committee making awards reserve the right to reject all papers if they prove to be without sufficient merit. As a middle course, I recommend that this Association offer a medal or medals for papers to be written under stipulated conditions by the members of the junior organization. A few moments' thought may convince you that even youthful enthusiasm needs an incentive; and that no ordinary expense is unwarranted, if it bring forth the latent powers of some young man possessing qualities fitting him for advancement in our profession.

FOREIGN ASSOCIATIONS.

Our relations with other bodies of a character similar to this continue to be most friendly. Naturally, our correspondence with them has been of an irregular and general nature, but the interchange of ideas and experience cannot but be beneficial. On more than one occasion, I have been able to furnish information to English Institutes concerning forms of American business, such as cyclone insurance, with which they were unfamiliar; and in turn, I have received valuable material, such as the reinsurance agreement. Some of their annual reports contain interesting papers. They are not readily obtainable, and can scarcely be offered for general reading in pamphlet form; but their contents, which will be noticed in the next catalogue of the library, will often repay reference.

FIRE REINSURANCE.

It is now three years since the need of an uniform reinsurance contract led to the appointment of a committee of this Association to give the subject deliberate attention. The times have been unfavorable for any concert of action; the committee only reported progress at the last annual meeting, and is not yet ready to recommend a clause. Attempts to agree upon clauses have not met with much success in the past, witness the fate of the proposed action with reference to a mortgage clause; but it is manifest that there is more hope of accomplishing something in a matter which is

wholly controlled by the companies. This Association can only recommend; but if the stamp of its approval be given to any measure, seeing that a large proportion of every vote taken is managerial, it will go far towards securing its ultimate adoption by the companies. Very likely none of the clauses hitherto submitted have been wholly satisfactory to any large number; but the growing importance of reinsurance contracts leads me to ask you to permit the consideration, later in the sessions, of a form including every provision submitted to the committee, each provision numbered separately, in order that the sense of the Association may be taken upon the acceptability of each in turn. I have given some time and correspondence to the subject of reinsurance, and am unwilling to see the subject deferred another year, if progress can be made at this meeting. The Australian clause (marked E in the Circular of August 27, 1896)\* is more liberal than the Association is likely to approve. Across the Atlantic, the old established offices have solved the problem by entering into a reinsurance agreement of sufficient length to cover all the ground necessary. The English agreement is a part of the rules of the Fire Offices Committee, and is not procurable for general circulation; but I have been permitted to use it in the preparation of something similar, styled the Pacific Reinsurance Agreement, altering many provisions which conflict with our practice. The most notable difference lies in the fact that, on the other side, the reinsuring company cannot cancel its policy at will, and must renew it at expiration upon request of the reinsuring company, unless notice of desire to drop at expiration shall have been given, or unless it is contended that alterations in the risk or renewal, made without advice, are not acceptable to the reinsuring company and would have led to a refusal to renew. There will scarcely be time to discuss such an agreement in detail, but as it is difficult to follow the reading of technical matter, I have had the form printed, and it will be handed to you at the close of the morning session, with the re-insurance clause with numbered provisions. Few American cases of reinsurance litigation are reported, but there is some reason for believing that they are on the increase. On the other hand, English reports contain no cases except in connection with marine transactions, and the correspondent who furnished the excerpts from the rules of the Fire Offices Committee writes that no dispute within his knowledge, which extends to twenty years, has been referred to the court of arbitrators, whose award is made a condition precedent to any right of action. Before leaving the subject, I cannot refrain from again drawing your attention to the case of Home of New Or-

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\*CLAUSE E.—Being a re-insurance of . . . . . pro-part of the . . . . . Company's policy No. . . . . for \$ . . . . and subject to the terms and conditions of the said company, whose settlement, in event of loss, shall be binding on this company. It is expressly stipulated that the . . . . . company shall retain, during the currency of this re-insurance, for their own account and risk, and on the identical property herein specified, an amount at least equal to that hereby re-insured; and that any change in or waiver of their ordinary printed conditions must be notified in writing to this office.



leans vs. Royal and Imperial; in which, on appeal, the U. S. Circuit Court of Appeals held, that the reinsuring companies, having written reinsurance in return for applications for cover under policies issued and to be issued on cotton in a particular cotton press, which applications and reinsurance policies contained the co-insurance clause and paid one per cent, must pay their full proportion of losses upon large quantities of cotton insured without the co-insurance clause at one and one-half per cent.

#### DISTRICT AND LOCAL BOARDS.

The most important change in the conduct of our business has been the formation of boards made up of local agents, to exercise prerogatives heretofore vested only in managers. It must be conceded at the outset that these boards have preserved what little good remains to us in the management of the fire insurance business on the Pacific Coast. Only one of these has recorded its allegiance to the San Francisco principals in a formal way, and for a time some friction was observable in the workings of others. It may be profitable to consider the course of these organizations for a few moments. Upon the abandonment of supervision of rates and rules by the Board in San Francisco, the agents in Portland, Seattle and Tacoma formed local boards with simple constitutions. In May, 1895, the Portland Board went further and opened an office for the stamping of daily reports. Immediately thereafter, the Seattle and Tacoma agents formed the Puget Sound Underwriters' Association. These enterprises received support in San Francisco merely as temporary expedients, accorded in some instances with coldness and hesitation. Late in June, it became manifest that control could not at once be restored in San Francisco, disturbances in rates in several Oregon towns caused anxiety for the safety of the Portland and Puget Sound Boards, and a call was issued by the Portland Board to the agents in about thirty towns in Oregon, Washington and Idaho to meet in convention. Only nine responded, and few delegates were empowered to bind their boards to confirm the action of the Convention. Nevertheless, the delegates were so well chosen and displayed so much coolness and courage that, aside from a resolution debarring all general and special agents from attendance upon its sessions the entire proceedings of the Convention, and the constitution and by-laws adopted by it were characterized by a spirit of moderation and consideration for the interest of the companies which has never been excelled. Not only were the existing rates and rules adopted, but the by-laws expressly provide that the schedule of no town can be altered without the consent of three-fourths of the San Francisco principals; and, in the intervening eighteen months, the spectacle has been presented of large towns demanding reductions in schedules from an Association made up of their fellows, and being refused because of their failure to secure the approval of managers in San Francisco who acknowledged their inability to govern the situation themselves. That such refusals have been accepted with good temper and continued loyalty speaks volumes for the breadth of character possessed by northern underwriters—a term which may be used



advisedly in speaking of many whom their superiors rarely credit with much knowledge beyond the contents of a rate-book. As a member of the committee from Portland which sought financial support in San Francisco when the Northwest Insurance Association was organized, I cautiously promised that the situation in the Pacific Northwest could be maintained for three months, and was assured that, if so doubtful an outcome could be guaranteed, all further danger would be removed and a new and strong organization in San Francisco would relieve us of the responsibility undertaken. This assurance, given us in July, 1895, seems further from fulfillment now than it did then; but the Northwest Association has succeeded in controlling the situation most admirably, has gone on quietly about its business, surveying and re-rating, supervising forms and securing adequate rates for the companies. The Montana Board, formed about the same time, has done excellent work at a somewhat heavier rate of expense, due to its restricted field, but maintains both rates and commissions as formerly. The Arizona Underwriters have been equally successful, and are represented in San Francisco by a Supervisory Committee, an important feature which is lacking in connection with the northern boards. The situation in California has been much more difficult to handle. A large proportion of the business was re-written in 1895 at ruinous rates, term risks were augmented by hundreds of policies on brick buildings, long established agencies were demoralized and in some instances ruined by this wholesale interference with their business, and we have been powerless to prevent the retirement of experienced underwriters and their replacement in the ranks of local agents by men trained under the worst possible conditions, with no instructions other than to secure business at the lowest market price. During the last few months, the local agents in this State, despairing of any immediate improvement through the intervention of their principals, have undertaken to restore their incomes to some extent, and incidentally to increase the receipts of their companies. It is to be regretted that the advance in premiums has been accompanied by higher commissions to agents. Nevertheless, they are entitled to no little praise for doing what they have in the face of a clamoring public on the one side and exasperated general agents on the other. Local boards, first groping their way along, and some of them repeatedly defeated in their efforts towards reform, have slowly but surely made progress. Not content with merely increasing rates, they have employed competent surveyors formerly on the staff of the Pacific Insurance Union, and established stamping offices in various localities. Until this month, no board in California has ventured to touch the question of compensation. The movement in Fresno must, therefore, be regarded as a marked advance. However desirable it may be to restore central control, it is conceivable that reforms carefully and honestly carried out in particular localities may ultimately give us a surer and better result than any attempt to build the whole structure in a day. If rates and commissions can be regulated in a few important towns so successfully as to remove every element of suspicion, a great impetus will be given to any

movement favoring the resumption of board work in San Francisco.

With the best intentions and work, no man can reasonably expect to properly review the career of an organization covering twenty-one years with which his own connection has been limited to only six years. Therefore, in preference to prolonging this address so as to include a summary of our work, I have requested Mr. L. L. Bromwell, one of the promoters of the Association in 1875, to give us an account of its origin and the salient points in its history. While the time allowed him for preparation has been very brief, I feel certain the subject will have justice accorded to it as would not have been the case if I had undertaken it.

I am minded to ask your special consideration of the list of presidents. The programme has been purposely made simple in appearance; for no better emphasis of the character of the anniversary could be found than these names, one-fourth of them already enrolled with the silent past. They form a notable array. If, among them, some may perchance be found whom you might not select for the highest preferment among us, consider whether, in the mutability of things earthly, your judgment may not be reversed in turn by those who are to come after us. Not all the leading field men have occupied the chair—not all the presidents have been leading field men; but, taken all in all, these men have done more than others to shape the work of fire insurance companies on the Pacific Coast, have had more influence with local agents, and have ever been in the front rank of progressive underwriters. They have made a creditable beginning, the Association is established on a sound basis, and it only remains for you to build upon this foundation a goodly structure. We are of age—added zeal and earnestness should be infused into our efforts. This is the time for inspiration, new resolves and ambition to excel in all that is right. I would that every young member might read the address delivered before the Fire Underwriters' Association of the Northwest by the late George F. Bissell, entitled "Evolution." No better idea of the demands upon young underwriters and their varied opportunities has ever been presented; and, coming from one who had borne the burden and heat of the day in insurance circles for more than thirty years, ante-dating the Portland, Chicago and Boston conflagrations, its tone is convincing, as well as wonderfully inspiring. One of my predecessors remarked a few years ago that the presidency of this Association was a stepping stone to managerial preferment. It has sometimes appeared so; and, if it be true, two thoughts present themselves as growing out of it. The Association should be critical in making selections from among the best available men; and members who covet earnestly the best gifts at our hands should strive constantly to win the approval of their fellows by patient, unselfish and devoted attention to business. One who works best for his own office is the better fitted to serve the common interest acceptably. Among us, "luck" is out of place as an alleged reason for advancement and good fortune. Temporary preferment comes to many and may be secured in many ways; but permanent success can be achieved along no royal road, but only by persistent,

painstaking and hard work. It is not impossible that a handful of our present membership may yet remain when the Association celebrates its fiftieth anniversary. When that time comes, may we be remembered only for the good which we have done, and our mistakes and frailties be forgotten. May the foundations which we have laid prove to have been broad and deep, that the superstructure may be durable and fair to look upon.

With these thoughts in our minds, aroused by this interesting anniversary, let us turn to the consideration of what our friends have provided for us, with renewed zest. These annual sessions have ever been noted for animation, with full and free discussions of the topics presented. I trust that this gathering will add to our previous reputation, and, in taking up the direction of the proceedings, confidently rely upon your hearty co-operation.

HERBERT FOLGER.

#### PACIFIC FIRE REINSURANCE AGREEMENT.

It is hereby mutually agreed by and between the fire insurance companies, parties to this agreement, that the following rules shall govern all reinsurance transactions affecting business written on the Pacific Coast in such states as shall be named after the signatures for the companies, respectively. The company issuing the original policy is styled the insuring company; that writing reinsurance, the reinsuring company.

1. The foundation of a reinsurance transaction is:

(a) Full information, so far as possessed by the insuring company, as to the risk on which reinsurance is requested.

(b) Full information as to the amount retained, or proposed to be retained, by the insuring company on the identical property on which reinsurance is requested.

No error or omission in describing the risk or giving the information required by this rule shall invalidate a reinsurance policy, but the reinsurance shall be held to apply to the risk of the insuring company; provided, that if a reinsuring company shall have been misled or damnified by any error, or omission, a court of arbitrators, constituted as herein provided, shall have power to award such relief or compensation as shall seem to it good.

2. Every application for reinsurance shall be made in writing, and shall state that it is subject to the provisions of this agreement. In the absence of any intimation to the contrary in the application, the reinsurance shall be deemed to apply to all the items of the original policy, *pro rata*.

3. Every notice relating to a policy of reinsurance must be in writing to be valid, and must include the number of the policy or covering note to which it refers.

4. The acceptance of applications for reinsurance shall be in writing. Printed forms for use under rules 2, 3 and 4 may be promulgated whenever they shall be approved by all the companies, parties to this agreement.



5. Where policies of reinsurance are not at once issued in return for applications or covering notes, the reinsurance shall be binding for ten (10) days from noon of the date of acceptance, unless otherwise stated in writing; and the liability of the reinsuring office shall commence from the date of the original insurance, unless otherwise expressed in the application or covering note.

6. Except under circumstances for which special conditions are required, policies of reinsurance shall be issued in the forms in use for ordinary fire insurance contracts, by the parties to this agreement, respectively; provided, that every policy of reinsurance shall include the following in its written portion, viz.:

"This policy is subject to the rules and terms of the Pacific Fire Re-insurance Agreement."

7. Pending the issuance, or the receipt of daily reports, of renewals by the insuring company, reinsurances shall be continued in force for not exceeding ten (10) days from the date of expiration of the original policy; provided, that notice of desire to drop the risk at expiration shall not have been given by the reinsuring company to the insuring company in writing, prior to the date of expiration.

8. Where the sum insured upon a risk by a particular policy (whereof a part or the whole is reinsured) has been reduced in amount and a loss occurs before any new arrangement has been made with the reinsuring company, the amount for which the reinsuring policy was issued shall be considered as reduced in proportion to the reduction of the original policy; but if there are reinsuring policies from more than one company, and cancellation or reduction of one or more of them has been arranged, then the relief (if any) shall be applied to the reduction *pro rata* respectively of the amounts of the subsisting unreduced reinsurance policies and the net amount at risk of the insuring company by such policy before its reduction. This rule shall not apply where the risk of the insuring company has been reduced by the discontinuance of other policies, but only where the actual policy, whereof a part or the whole is reinsured, has been reduced. The liability of the reinsuring company shall not in any case be increased beyond the amount it has expressly undertaken, notwithstanding any increase in the amount of the insurance.

9. Advices of alterations in the insurance involving change of locality are, when received by the insuring company, to be immediately notified to the reinsuring company for its approval. If such intimation be not given, and at the date of a fire the reinsuring company have no existing liability in or on the new premises, the reinsurance shall remain in full force. But if the reinsuring company have any existing liability in or on the new premises for a less amount than the sum named in the reinsuring policy, it shall be responsible for such proportion of the sum named in the reinsuring policy as shall, including its already existing liability there, make up the sum named in the reinsuring policy. In event of the reinsuring company



having any existing liability in or on the new premises to the full amount of its reinsuring policy, the said reinsuring policy shall be of no effect.

10. Alterations in the insurance, other than those referred to in rules 8 and 9, endorsed on the policy or recorded in the books of the insuring company, shall be communicated to the reinsuring company as soon as practicable but, except as hereinafter provided, shall not invalidate the reinsurance.

If, however, the insuring company reduce the amount previously retained on its own account in consequence of such alterations, the reinsuring company shall have the option of reducing its policy of reinsurance in like proportion. If the items of a policy under which there is reinsurance be varied by endorsement or the issuance of a new policy, not involving alterations provided for in rules 8 and 9, and a fire occur before intimation of the alteration has been given to the reinsuring company, the reinsurance shall, subject as aforesaid, follow such variation in all respects and to each item as altered give protection proportionate to the total amount of the reinsuring policy. If the insuring company fail to communicate the alterations referred to in this rule to the reinsuring company prior to the next renewal of the policy, and the reinsuring company allege that a knowledge of them would have affected its decision on the question of continuing the reinsurance, or would on any other account have been material to its interests, it may demand a reference as to whether the reinsurance should be held to have ceased to be in force, even although it may have been renewed, and the arbitrators nominated as hereinafter provided shall have power to decide whether the said reinsurance shall be held to be in force in whole or in part.

11. All losses and compromises of losses, and expenses or allowances in consequence of losses, shall be settled by the insuring company according to its conditions of insurance and its practice, without the interference of the reinsuring company, and the proportion due from the reinsuring company shall be paid immediately after production to it if the particulars of the loss and its adjustment, together with the receipt of the insured. The insuring company may likewise at its sole discretion commence, continue, defend, compromise, settle or withdraw from actions, suits or prosecutions, and generally do everything relating to any claim or loss which, in its judgment, may be beneficial, and the payments and expenses connected therewith shall be shared by the reinsuring company in due proportion, and its share shall be paid upon production of the vouchers. But the insuring company, prior to instituting or defending any action, suit or prosecution, shall give intimation thereof to the reinsuring company, accompanied by explanations of the circumstances, and the reinsuring office shall be entitled, at its option, to pay at once its share of the entire loss in dispute, in which case it shall not be liable for any further loss or expense, nor be entitled to any benefit arising out of such proceedings; failing such payment the reinsuring company shall continue to be liable to relieve the

insuring office *pro rata* of all loss and expense arising out of such proceedings.

12. Reinsurance accounts shall be rendered and settled at dates to be mutually agreed upon by the companies interested.

13. For the purpose of deciding the differences hereinafter referred to, there shall be seven (7) arbitrators, who shall, unless otherwise agreed, be elected by ballot on the first Tuesday in May of each year by the principal representatives in San Francisco of the companies, parties to this agreement, from among their own number, to serve until the same time in the following year, or until a fresh election shall take place. The office shall without prejudice to any pending arbitration, be vacated in the case of any arbitrator, if the company or companies whose representative he is shall cease to be a party to this agreement, or shall revoke his appointment as his or their representative.

14. Every difference which shall arise between companies, parties to this agreement, as to any error or omission in describing a risk or giving the information required by rule 1, or as to the meaning or effect of, or as to any matter touching the rights or liabilities of any company, or otherwise in any way connected with, relating to, or arising out of an application, covering note, or policy of reinsurance, shall be referred to the arbitrators hereinbefore mentioned, after omitting those who may be representatives of a company or companies in difference or otherwise interested; and in every case of such reference the parties in difference shall enter into and execute an agreement to refer the same to such a court of arbitrators. Except in the event hereinafter mentioned, no company, a party to this agreement, shall sue any other company, a party to this agreement, in respect of any claim upon, with respect to, or arising out of an application, covering note, or policy of reinsurance, unless and until the liability, and the nature and extent of the liability in respect of the claim, if not admitted, shall have been referred to and determined by a court of arbitrators, whose award thereon shall be a condition precedent to any right of action in respect thereof. But in the event of any of the parties in difference not entering into and executing such agreement of reference within one calendar month after being required so to do by any other party in difference, the last mentioned party may either sue the other party without submitting the claim or matters in difference to arbitration, or may refer the same to the determination of a court of arbitrators constituted as herein provided, and the court may act in the reference, and shall have the same powers and authority with respect to the claim and matters in difference and otherwise, and the award of the court shall be binding on all parties, as if such agreement had been duly entered into and executed by all the parties in difference.

15. In the event of any company ceasing to be a party to this agreement, it shall, in respect of every reinsurance policy given to or by it under the provisions of the above rules, be held subject to such rules until such time as all claims and demands arising under such policy or policies shall have been paid or satisfied.

## FIRE REINSURANCE CLAUSE.

This reinsurance is (1) a *pro rata* part of each and every item insured by the policy of the reinsured company and is subject to the same (2) risks, (3) valuations, (4) conditions, (5) transfers, (6) endorsements, (7)\* adjustments, (8) expenses, (9) and payments as are or may be taken by the reinsured company. (10) Loss, if any, payable *pro rata* (11) at the same time, (12) in the same manner and (13) place, with the reinsured company. (14) It is expressly agreed that the reinsured company shall retain for its own account and risk (15) under the policy hereby reinsured (16) during the currency of this reinsurance (17) exclusive of any and all reinsurance (18)† an amount at least equal to that hereby reinsured (19) and on the identical property hereby specified. (20) It is further stipulated that (21) within ten days after receipt by the reinsured company (22) this company shall receive notice and copy off any (23) transfer (24) endorsement, (25) change in the risk, (26) additional privilege granted or (27) waiver of the ordinary printed conditions, made by the reinsured company. (28) If the reinsured policy is cancelled or reduced in amount, this policy shall be cancelled or reduced in like proportion. (29) In no event shall this company be liable for more than the amount mentioned in this policy. (30) Other reinsurance permitted subject to the aforesaid conditions.

On motion, duly seconded, the report was referred to a committee to be hereafter appointed, to consider the recommendations in the address of the President, and in the reports of the Executive and Library Committees.

The President—At this point it seems to me fitting that several who are strangers to most of us should be introduced. I am satisfied that visitors from the Northwest as well as from the East are in the room, and I know the members will be glad to welcome them.

Mr. Medcraft introduced Mr. James H. Brewster, Assistant U. S. Manager of the Scottish Union and National Ins. Co.; Mr. Dutton presented Mr. Thomas S. Chard, of Chicago, manager Central Department Fireman's Fund Ins. Co., and Mr. Wm. Maris presented Mr. W. J. Clemens, of Portland, Oregon. Mr. Geo. D. Dornin introduced Mr. Hiram H. Lee, of Colorado.

The President—It is needless to say that all these gentlemen are more than welcome to take part freely in the discussions and proceedings.

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\* (7a) "Mode of settlement" in place of 7, 8 and 9 above.

† If (28) adopted, change (18) accordingly.

Shortly before the annual meeting it occurred to me that we have had many papers on the subject of special agents and their work in the field, but I do not recall any paper which dealt with the daily current correspondence, and connection between the special and his home office. Therefore I requested Mr. Alfred R. Grim to prepare a paper which should discuss in a general way what the special needs from the office. The paper will be read by Mr. A. W. Thornton.

Mr. V. C. Driffield—Is not the report of the Library Committee in order first?

The President—I had overlooked that. Mr. Argall has since come in.

Mr. F. G. Argall, Chairman of the Library Committee, read the following:

#### REPORT OF LIBRARY COMMITTEE.

*To the President and Members of the Fire Underwriters' Association of the Pacific:—*

In presenting to you our annual report, your Committee take pleasure in being able to refer to a material advance in the handling of matters connected with the Library, although it must be confessed something more could have been done in this direction but for unavoidable circumstances.

In the report presented by the Library Committee at the last annual meeting, sundry suggestions and recommendations were made, and these have been acted upon by your Committee on the following lines: A new bookcase has been purchased, giving protection for the overflow of books from the old case, and affording, it is estimated, all the shelf room which will be necessary for several years to come. Some progress has also been made in completing the furnishings of the Association rooms in the way of curtains and other details. A new system of filing current issues of magazines has been adopted, and has proved thoroughly satisfactory. The library has been completely re-catalogued, and, with one or two unimportant exceptions, the missing files of periodicals have been restored after considerable trouble and delay. In addition, several of the large frame photographs presented by Mr. Lowden and missing for some years have been recovered, and now adorn our walls. The Committee are pleased to report that the library has, on the whole, been kept well up to date, although we recommend that one or two of the latest technical books, dealing with electric light, etc., be purchased.

Your Committee are also pleased to report that we have succeeded in making a collection of photographs of all the Presidents and Vice-Pres-



idents of the Association from the beginning, the said photographs being framed, and now on the walls of the rooms, of which an inspection is invited, more especially from our members of recent standing. In addition to this, several other photographs and objects of value and interest have been secured.

It is with reluctance that your Committee are compelled to leave to their successors in office the preparation of the Blue Book recommended by the Committee of 1894, although it will be proper to say certain of the necessary material has been collected and is now available. We again take the opportunity of expressing our opinion that many members of the Association could add valuable material to the library in the shape of reports, old tariff books, maps of towns and cities suffering conflagrations, and other interesting documents relating to insurance, and we hereby solicit remembrance and assistance of our members in this direction. Several of the members have shown a gratifying interest of this kind during the past year, and we trust that others will do likewise, in a practical way, in the future. As heretofore, we would suggest that the thanks of the Association be extended to the respective publishers of *The Coast Review*, the *Insurance Monitor*, the *Pacific Underwriter*, the *Standard*, and other magazines, for their courtesy in supplying us free of cost with their valuable publications. Thanks are also due to Mr. F. H. Porter of the Inspection Bureau for a continuance of the assistance he has rendered your Committee in the past in the caretaking and improvement of the library. We are also indebted to various underwriters' associations of Great Britain and Australia for copies of their annual reports, and we suggest that the Committee be authorized to continue sending to such other organizations a proper number of exchange copies of our Annual Proceedings.

As indicated in the foregoing, your Committee have on hand considerable uncompleted material, which we shall be pleased to hand to our successors in office, adding such assistance as we may be able to render from the experience gained during the past year in connection with library matters.

Respectfully submitted,

F. G. ARGALL, Chairman,  
GEO. W. DORNIN,  
CHAS. C. ECHLIN,  
Committee.

On motion, referred to the committee to be appointed hereafter.

Mr. Thornton read the paper by Mr. A. R. Grim on what the special needs from the office.

#### WHAT THE SPECIAL REQUIRES FROM THE OFFICE.

The title itself implies much; but to condense the needs of the special into an acceptable paper to be read before the managers, is more difficult than one would at first suppose.

The special requires lots of things; many he does not think he needs but gets, just the same; and there are also many things he does not get which he thinks he needs.

But as I am to deal with the requirements of the special, in the field, I find the subject difficult to handle, owing to the fact that the various offices have different methods of conducting their business. I might make a few suggestions, however, in a general way, which, to my mind, and from my experience, will materially assist the special in the pursuance of his duties.

One of the most important of these is the inspection of risks. In my opinion, all inspection slips should be sent from the office to the special. I know that many who hear this will not agree with me, and will probably claim that the special should write out his own slips, which would make him familiar with the risks, and enable him to detect any error in amounts, location, wording of policy, etc. This is all very nice, and is a good plan in theory, but it won't work in practice; not that he is unable to make the slips out himself, but for the reason that it is often impossible to get a complete list from the agent's register. It is invariably the case with the larger agencies, that a general register is kept for all companies represented. This should not be so, but nevertheless it is; and in these times, when the agent virtually holds the key to the insurance situation on this Coast, and is, therefore, a more independent individual than he used to be; he conducts his affairs pretty much as he pleases, and keeps his records to suit himself, and not the company or its representatives.

The agent generally objects to the company's special looking over this general register, and does not seem at all pleased when asked to call off the different risks, while the special writes out the slips. But if he condescends to do this, he might (inadvertently, of course) overlook a certain risk or risks which are not particularly desirable, and it is just the poor special's luck to have one of these burn; and he is consequently hauled over the coals for not doing his inspections properly or thoroughly. Furthermore, when slips are forwarded from the office, they are most always received some days, or perhaps weeks, before he reaches the town to which they refer. This gives him an opportunity to look them over, and in doing so he often runs across a risk which is familiar and undesirable. Then he loses no time in instructing the agent to cancel, and in this manner may save his company many dollars. I trust this explanation will convince the managers who require specials to make out their own slips of the importance of having it done from the records of the office. In instances where the agent's register can be looked over, the special can compare his slips, thus making a check on the office. No doubt some managers will claim that the agent whose books are not subject to the inspection of their representatives is not desirable. In this I agree with them, but it will be found almost impossible to get an agent who represents a number of companies to keep his records as they should be kept; that is, a separate register for each company.

The special should be furnished with copies of all policies accepted as re-insurance, in order that he may inspect them and make report on such risks. The agent should also be advised of such re-insurances accepted, covering all risks in his town. He may know something of the property which will be of value to the company, and furthermore this knowledge to him will oftentimes prevent an overline. I know that advising agents of re-insurances has its drawbacks, and will be strongly objected to by some offices, especially if it is re-insurance of business controlled by other agents in the same town, as it will give the date of expiration, which might be taken advantage of, and besides, the risk may be the very one which the agent of the re-insuring company might have been after but unable to secure, which might influence him against making a favorable report. The placing of re-insurance is, in a sense, a confidential transaction between companies; there is an unwritten agreement that the re-insuring company will not take advantage of the information they possess regarding the expiration, etc., of the business. But it seems to me that some arrangement could be made between the companies, whereby the agent could be notified of the existence of the liability. A general description of the property insured might be furnished, without giving the expiration or name of re-insured company. The special can't be in every place at once, and re-insurance may run for months before he is able to inspect the risk. A company always has, or should have, confidence in their agent's judgment in the acceptance of risks; while in most instances they do not even know the name of the representative of the re-insured company, which makes it, I think, all the more important that the re-insuring company should know something about the risk.

Should a line be offered to the office by another company (either as re-insurance or direct business) and declined, the special should be notified, and a general description of the property given, which he can inspect and report upon. The risk may prove a desirable one, which the company would accept if again offered.

Copies of agent's letters to the office, and carbon copies of the letters from the office to the agents, should be furnished the special, in order that he may talk intelligently with his agent on matters which have transpired since his last visit; and as is the case with inspection slips, the copies would reach the special in many instances, some weeks before he will visit the town to which they refer, and in reading over this correspondence, matters may be alluded to with which the special is familiar, thus enabling him to furnish the office with desired information. Regarding account currents, there is not much to be said, as, of course, all offices furnish the special with a statement of the premiums outstanding. When the special makes collections, and sends a remittance to the office, the company should acknowledge receipt of such remittance to the special, as well as to the agent. When an account is sent the special for collection, which has been remitted for by the agent, in part, or in whole, before he has had an opportunity to visit the agency, he should be at once advised of the fact. Often-



times the agent will state that the account has been settled, but is mistaken; and thinks he has paid us, when it was really some other company. Of course the special thanks the agent, buys him a cigar or so, and goes on his way rejoicing, only to be brought back to earth with a dull thud on learning from the office that no money has been received. Some will claim that when the agent says a remittance has been made, the special should ascertain through which bank the draft has been drawn and inquire of the bank people if such is the case, in order to satisfy himself that the agent is not, to use a slang phrase, "pulling his leg." This mode of procedure might work with some, but with others it would be considered nothing less than an insult to request the agent to go to the bank and prove his statement. Now all this could be averted if the special knew that his office would notify him when any payments were received.

When a loss occurs, it would be well for the office, when wiring the special to adjust, to state in the telegram the nature of the loss. For instance, instead of saying: "Adjust loss at Johnstown," the character of the property damaged should be given in this manner: "Adjust dwelling loss at Johnstown," or "Merchandise," or "Grocery stock," or "Building," as the case may be. It might be well to also state whether the loss is partial or total, if the office is in receipt of such advice. The special is thereby able to judge about how long it will take him to attend to the matter and he can make his arrangements accordingly, and use his judgment whether it is necessary to take an appraiser with him. Besides, it gives him an opportunity to look up points when he is en route, pertaining to the nature of the loss he knows he is going to adjust.

All letters to and from the office should be numbered, which prevents confusion, and assures both office and special that no letters have miscarried. When applications for agencies are received, copies should be sent the special, even though the present representative is entirely satisfactory. It is well for the special to meet the applicant as there is no telling when a change may be necessary. When the special writes a letter to the office or sends a telegram which requires a telegraphic answer, he often gets very impatient and put out because it does not arrive as soon as he thinks it ought to. He should remember that there are others who demand the manager's time as well as himself, and furthermore should consider that the manager may want a little time to think the case over before answering. On the other hand, the office should reply to such letters or telegrams with the least possible delay, as promptness on their part in such matters often enables the special to save considerable valuable time.

In connection with the special and the agent, I might say in conclusion, that it is essential that the former should be in possession of such information of the affairs between the agent and the office, as will leave him independent of the agent. When the agent knows that the special is cognizant of all that has transpired since his last visit, it will impress him more forcibly and command the agent's respect more than anything the



special might do. For much of this the special must, of course, depend on the office. A manager has much to worry him and many things to look after, but a portion of his valuable time cannot be put in with more profit than by keeping himself in close touch with the man on the road. A special is looked on as one who relieves the manager more than any other employe; but his work has such direct bearing with the managerial duties, that both should keep each other posted as to events which occur at either end of the line. Much which has been referred to herein is, I know, superfluous; but if there are some points which are worthy of consideration to those who hear this paper, I shall feel that it has not been written without good results.

ALFRED R. GRIM.

The President—At the last moment, Mr. Andre has redeemed a promise to write for us, and wishes to offer a suggestion for your consideration.

Mr. Andre read the following:—

#### RISKS ON OUTSIDE BUILDINGS.

*Mr. President and Gentlemen:*

Being requested by President Folger to write something for this meeting, and not wishing to take up too much of your valuable time, I concluded to advance an idea which suggested itself to me some time since.

Often a fire occurs in the country, and it is necessary to go to considerable expense to find out whether it is a total insurance loss or not. Now, if the companies would get out a blank with questions to be answered by their agents: giving the size of the building, its height, manner of construction, when built, when last painted and what repairs have been made on it, and when they were made, also giving the price of rough and surfaced lumber and shingles or shakes at the nearest town, it seems to me that with such information it would be very easy at a trivial cost to get any of the independent adjusters in their leisure time to make an estimate near enough to assist a manager in deciding whether to accept the risk or not, and also what to do in case of fire.

I know some agents would object to being put to so much extra trouble, but if it were done it would be a safeguard against over-insurance, and thereby improve the moral hazard.

Yours faithfully,

A. A. ANDRE.

On motion, duly seconded, the paper was ordered printed in the proceedings, with the thanks of the Association.

Mr. George D. Dornin—I would like to know if that paper is intended to be taken seriously.

The President—The President understood Mr. Andre to be quite serious, and I believe he expected some argument might be advanced.

Mr. Andre—I will tell you what suggested the topic to me. Several offices have submitted lately to me applications, and asked me what I thought about the value of buildings. For the offices I speak of, I have often adjusted losses, and made my own estimates. I have gone over the figures to find out about what the building was worth—notably one that came up last week, where the assured claimed the building was worth \$1,500, and from the data that I received I figured and found it was worth about \$750 to build. I believe the company took a \$600 risk on the building afterwards, instead of the \$1,000 risk; and it then suggested itself to me, as it had before, that if some data were gotten it would be very easy to find out whether you were taking a \$1,000 risk on a \$500 house, and I think that it is well worth knowing to start in with. If you have the figures in the rough—a rough estimate—say within \$50 or \$100 of the value of the building, and are governed by that in writing your policies, you can tell whether it will pay you to send an adjuster after it has burned down.

Mr. Geo. D. Dornin—While there is no question about the desirability of this information—in fact there ought to be a builder's estimate attached to every daily report on buildings—I think it is the experience of most of us sitting in the so-called managerial chair that it is very difficult to get answers to the numerous questions already on daily report and application; and if we occasionally insist in our correspondence with the agent that certain information is necessary for us in order to pass upon the risk, the reply comes back, "If you don't like a daily report written as I send it in, you send a special." It is for that reason that I ask whether Mr. Andre's paper is to be taken seriously, or if we should depend upon our agents. Just now, as has been well said by the President, we are looking to the agent in the country to help us out of the slough

of despond. and we don't want to put any more burden upon him than is necessary.

Mr. D. B. Smalley—The only objection I have is the fact that it would take away a good part of *our* business. I am surprised to hear a suggestion of that kind from Mr. Andre.

Mr. Andre—I think I would put in a whole day at it and make money.

Mr. Wm. Sexton—I did not hear the heading of that paper. It ought to be changed, I think, to "Adjust the loss before you write the policy." Probably Mr. Dornin's objection to it is very good indeed; that is, a risk so far away from the agency that the agent cannot go to look at it, and the special don't have time to look at it. A schedule like this to be filled out by the agent, if the company would insist upon such a schedule being filled out by him, and the agent would refuse, the company would probably lose the risk and very likely lose the loss, because that class of risks, I believe, costs about 175 per cent of the premiums we get on them. So I think the programme would be a very good one for companies to adopt.

Mr. Rolla V. Watt—I think Mr. Smalley's argument the strongest one I have heard yet for the adoption of this method! I remember receiving this week an application from an agent for a store building three hundred miles away from his agency. He said that the moral hazard was good, and sent a diagram. That was all the information there was about the risk. Mr. Sexton well says that if you insist upon the information as outlined in Mr. Andre's paper, you will probably not get the risk and therefore escape the loss. Therefore, I think Mr. Andre's suggestions are good.

The President—The President understood Mr. Andre referred only to risks such as were remote from the agencies. I suppose it will be conceded to be impracticable to obtain estimates for those in towns.

On motion of Mr. Kinne, an adjournment was taken until two o'clock.

# AFTERNOON SESSION.

TWO O'CLOCK.

The President—The first paper to be presented for your consideration this afternoon is upon the topic of Hops as a Fire Hazard, by Mr. E. L. Thompson, who has perhaps adjusted more hop losses in the Northwestern hop fields than any one of our members.

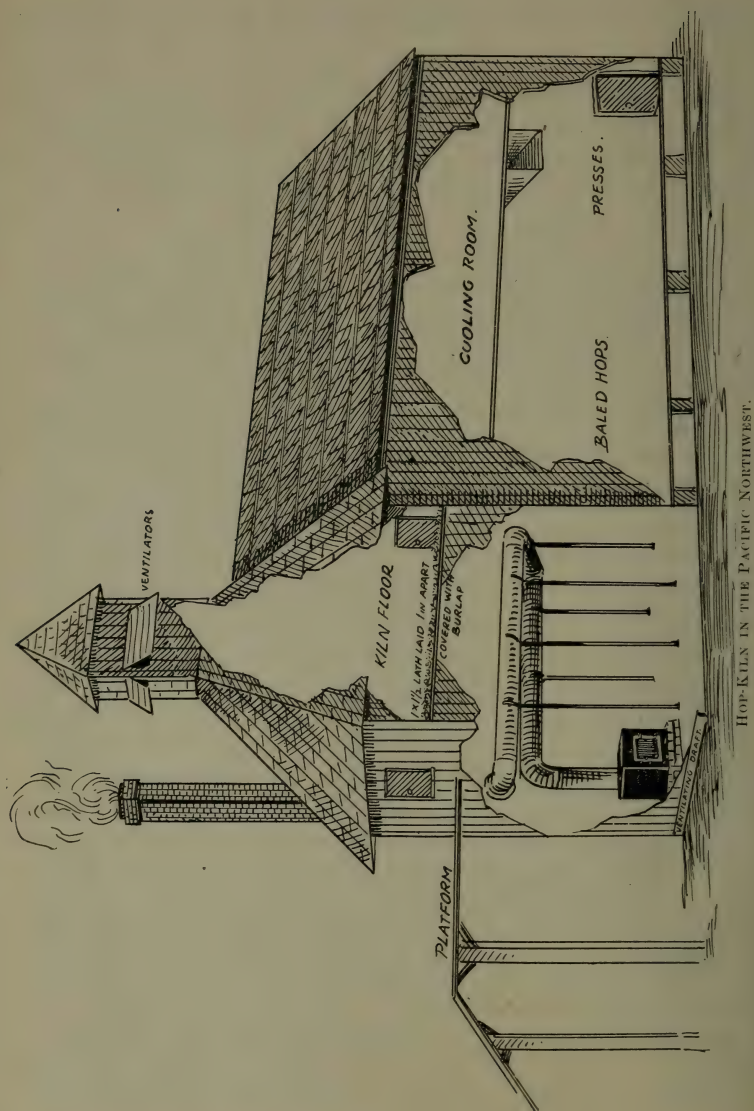
## HOPS AS A FIRE HAZARD.

*Mr. President and Gentlemen:*

This may be a dry subject to some. I will not in this paper attempt to enter into the detail of hop culture, the drying, baling, sacking, manufacturing into beer and its consumption, all of which require experience and practical knowledge, but will give my attention to the subject only from an insurance standpoint.

In hop kiln insurance, so much depends upon the quality of the hops, the method of the curing and the market price during the life of the policy, that it has been found necessary to adopt the three-fourths clause in our forms. This is a great safe-guard. Without it, the companies are at the mercy of dishonest growers on a declining market. It is almost impossible to prove fraud, even when there be good reason to suspect it, owing to the very nature of the risk. The intention of this paper is to suggest, if possible, some improvements which may produce better results to the companies. An agent or special is called upon not only to thoroughly inspect the kiln, but also to note carefully the condition of the vines, in order to ascertain the quality and condition of the hops; whether they are infected with mould, lice or other pest—any diseased condition making the risk undesirable as it damages the hop bur and destroys its value. Climatic conditions oftentimes cause mould, and wherever this is found the risk should be declined. In surveying the kiln the condition of the heater should be carefully noted. This should be securely protected by metal or brick, and the connecting pipes in no case should be less than three feet from walls, and five feet from floor. The pipes should be thoroughly dusted or swept daily, to prevent the accumulation of hop dust, which constantly sifts through the floor. If left, it will readily ignite, as well as emit an odor which is damaging to the hops. The mode of ventilation, and the temperature while drying, are important points to observe, for therein lies the greatest danger of fire. The thermometer should not register above 140 degrees, Fahrenheit, 130 to 135 degrees being proper, and requires constant watching by the dryer, who is supposed to be continually at his post. In drying hops, several very important facts must be considered. The Lupuline is a resin, which in the undried state adheres to the seed. If the heat exceeds 160 degrees, the resin becomes burned or scorched, which imparts a bad odor to the hop and reduces the value of the product. Again, the oil of the hop, which is found in the stubble or bur, will evap-





orate when the temperature exceeds 140 degrees, so that everything pertaining to the drying of the hop in a satisfactory manner points to carefully keeping the temperature below the danger point, viz: 140 degrees. To this end experiments have been made with a Thermostat of very simple construction, which can be placed in the hop kiln, at a very moderate cost. This can be so arranged as to give a double warning to the attendant in charge of the drying, by means of electric bells. The first alarm rings when the temperature falls below 100 degrees, the second when it exceeds 140 degrees. It will be seen that if such an appliance were generally used it would in many instances prevent fire losses caused by over-heating.

It is a noted fact that the greatest number of fires originate during the last few hours of the drying process. One frequent cause of fires is matches being dropped in the boxes while the hops are being picked, and which are likely to ignite when the hops become dry. If the draft is too strong, it will possibly cause a spark to be carried to the floor above, the hops at this time being exceedingly dry and combustible.

Again, if the assured discovers that his hops are mouldy, or of low grade, or that the market is declining, it can be readily understood how advantageous it would be to him if the property should burn in the kiln rather than to expend any more money in baling, sacking and taking chances of sale in the markets. Having full insurance he will theorize perhaps that the best sale will be that which he has the opportunity to make to the insurance companies; hence the absolute importance of thorough inspection to prevent incendiary fires.

When a loss occurs, we are called upon to ascertain the sound value of the hops at the time of the fire. The usual form now in use reads:

\$ . . . . On hop kiln building, platforms and trestles attached thereto, including hop kiln heaters, pipe and all connections and appurtenances of kiln.

\$ . . . . On . . . tons hops cured and in process of curing, claim for loss not to exceed 3-4 the market value of the hops at the time of the fire.

\$ . . . . On hop press and appurtenances, all while contained in the above-described hop kiln building, and situate . . . . .

In the usual construction of hop kilns we find attached what is termed a cooling or storage room. And even in a partial damage we are confronted with hops in at least three stages and values (smoke being quite as damaging to the hop as fire), viz:

Firstly, hops on the kiln floor in process of drying.

Secondly, hops in the cooling room.

Thirdly, hops baled, ready for market.

We will take, for example, a modern kiln, with cooling room attached, and assume the market price at the nearest shipping point to be ten cents per pound. Then to arrive at the number of pounds in the kiln is the next step.

The yard foreman or dryer in charge usually keeps a daily record of the exact number of boxes placed on the kiln floor, but it is necessary to verify

his statement. The size of the picking box is fixed by statute in most States. In Oregon it contains 9 bushels, or 11 1-5 cubic feet. In Washington the standard box contains 18 bushels. In Oregon the weight green varies from 40 to 60 pounds, owing to the variety and location, the larger hop being lighter than the small variety. The average weight is about 50 pounds green per box, and this weight will usually shrink 75 per cent. in curing, leaving a net weight, per box, of 12½ pounds, dried.

The hops are spread on the kiln floor, at an average depth of 16 to 20 inches, and sometimes even to a depth of 30 inches. Estimating a depth of 18 inches in a standard kiln, 24 x 24 feet inside measurement, we would have 864 cubic feet of hops, which at 11 1-5 cubic feet per box, will make 77 1-7 boxes. This at an average of 12½ pounds per box will give us a total of 964.3 pounds in the kiln. Should we wish further corroboration, the number of boxes on the floor can be determined by ascertaining the number of pickers employed in the yard on the day preceding the fire, since each will pick an average of four boxes per day. Again, the product per acre on this Coast is from 800 to 2,500 pounds dried, dependent upon the richness of the soil, 1,500 pounds being a fair average. There are usually 750 to 800 hop vines to the acre, yielding in dried hops about two pounds to the vine, consequently the number of vines picked could be readily ascertained. Having ascertained the number of pounds on the kiln floor, we find in like manner the total number of each day's picking in the cooling room, or warehouse.

Estimating then, if you please, the market price at 10 cents per pound, we ascertain the sound value of the hops by deducting the cost of hauling to market, sacking, baling, labor and wood used in drying, or such proportion of expense as may be necessary to place them on the market.

The following figures will be a fair estimate (under ordinary conditions) of expense necessary to prepare the crop for market:

	Per ton.
Labor to dry and cure . . . . .	\$16 00
Sulphur to bleach . . . . .	2 00
Wood to dry . . . . .	3 00
Baling cloth . . . . .	4 20
Baling twine . . . . .	10
Labor to bale and sack . . . . .	3 20
Hauling (depends upon distance) . . . . .	1 50

Total cost per ton . . . . . \$30 00

or per pound, 1½ cents.

The market price being 10 cents, this deduction leaves the sound value 8½ cents, at the time of being placed in the kiln. This value increases as the hops progress in the curing. The estimated cost to pick is 3½ cents per pound; to cultivate, pole, string and spray, including rent of land, 3 cents per pound, establishing the actual cost to producer of the product delivered in market at 8 cents per pound. It goes without saying, when the market price is less than the cost to produce, the risk is undesirable.

Adjustment of losses on hop kilns is not necessarily different from the adjustment of any other building loss, aside from the kiln floor, which is laid with  $1\frac{1}{2}$  inch lath, one inch apart, and covered with burlap (made especially for the purpose) to allow the free passage of the heat. On this burlap the hops are laid.

The average cost of a modern kiln with cooling-room attached ranges from \$300 to \$800, according to finish. There are now on the Pacific Coast about 4,800 kilns, representing a valuation of two million one hundred and sixty thousand dollars (\$2,160,000) with an average annual product of nearly two hundred and seventy-five thousand (275,000) bales, or about fifty million (50,000,000) pounds. Even at the price of 10 cents per pound, this represents an aggregate value of five million (\$5,000,000) dollars. The Coast product increased annually until the year 1894, which necessitated a more careful study of the industry by the producer. This developed improved methods and a better class of buildings, resulting in a material decrease of the fire waste.

Owing to the appearance of lice, which would necessitate a heavy outlay for spraying in addition to the ordinary expense of production, many growers abandoned their crops, on account of the prevailing low prices.

It is a noted fact that the greater number of fires have occurred outside of the regular hop districts, where the buildings were not so well constructed and the producer lacked experience. Many of the small hop growers are financially involved and are compelled to mortgage each year's crop in order to obtain money for picking. In such instances both the risk and moral hazard should be closely scrutinized, owing to the fact that money has been loaned upon a contract entered into by the producer to deliver his crop in a prescribed merchantable condition at a fixed price. Should the quality fall below the standard the assured will be the first to notice it in drying and a fire occurs—"cause unknown."

The percentage of loss for the past six years, as reported by the Mutual Hop Growers' Association in the Northwest, is one-half of one per cent. The percentage of loss reported by the stock companies for the same period shows a much larger ratio. The experience of the stock companies indicates that incendiarism has been a very strong factor.

The members of the mutual associations, being themselves experienced hop growers, have reduced the hazard to a minimum, in consequence of their personal knowledge of the physical, as well as the moral condition of each risk. In view of past experience, underwriters generally have regarded hop kilns as hazardous and undesirable risks.

If, therefore, each individual kiln and crop be carefully inspected and under the personal supervision of the agent during the life of the policy, there seems to be no good reason why the loss ratio of the stock companies should be so much higher than that of the mutual associations. It occurs to me that such a course would materially reduce the fire waste, and thus a large volume of profitable business would be made available to the companies.

E. L. THOMPSON.



## STATEMENT OF LOSS UPON HOPS IN PROCESS OF CURING, ETC.

*(Example worked out upon a basis of seven days' picking.)*

The hops are assumed to be in three stages: (1) in a half dried state, in the kiln; (2) dried and in the cooling room; and (3) baled and ready for market. To determine the sound value at the time of fire, deduct from the market price the cost to finish drying, baling, sacking and hauling to market.

7th day's picking . . . . .	964.3 pounds, partially dried.
5th and 6th days . . . . .	1928.6 pounds, cured, not baled.
1st, 2nd, 3rd and 4th days . . .	3857.2 pounds, baled, ready for delivery.
7 days' pickings . . . . .	6750.1 pounds.

*First Stage:* 964.3 pounds partially dried.

Cost to cure, per ton:

Labor . . . . .	16 00
Sulphur . . . . .	2 00
Wood . . . . .	3 00

\$21 00

One-half considered as unexpended . . . \$10 50

Cost to bale, sack and haul, per ton:

Baling cloth . . . . .	\$4 20
Baling twine . . . . .	10
Labor . . . . .	3 20
Hauling to market . . . . .	1 50

9 00

Cost per ton to finish . . . . . \$19 50

Equivalent to \$ .00975 per pound.

964.3 pounds at 10 cents (market price) . \$96 43

Less cost to finish 964.3 at .00975 . . . . . 9 40

Sound value of hops in kiln . . . . . \$ 87 03

*Second Stage:* 1928.6 pounds fully cured.

Cost to bale, sack and haul, as above, per ton. \$9 00

Equivalent to .0045 per pound.

1928.6 pounds at 10 cents (market price) . 192 86

Less 1928.6 at .0045 . . . . . 8 67

Sound value of hops cured . . . . . \$184 19

*Third Stage:* 3857.2 pounds ready for delivery.

Cost of hauling to market, \$1.50 per ton.

Equivalent to .00075 per pound . . . . .

3857.2 pounds at 10 cents, market price . \$385 72

Less 3857.2 at .00075 . . . . . 2 89

Sound value of hops ready for delivery . \$382 83

Sound value of all hops at time of fire . \$654 05

Under the terms of the contract the company pays not exceeding three-fourths of the market value of the hops at time of fire.

Considering the sound value as ascertained above to be the "market value," the claim becomes three-fourths of \$654.05, or . . . . . 490 53

If it be contended that the "market value" is the quoted market price, say 10 cents per pound, the limit of claim becomes three-fourths of \$675.01, or . . . . . 506 25

Throughout the statement, the weights are based upon net weight *dried*, say  $12\frac{1}{2}$  pounds per box, allowing for shrinkage of 75 per cent. of weight green.

The President—I think you will agree that the paper is very concise and clear. I hope Mr. Thompson will be shown the compliment of some comment upon it. Have members any remarks to make on the subject of hops? If not, we will take up the next number on the programme.

Three years ago, during an unexpected visit to Chicago, I had the pleasure to receive unusual courtesy. It occurred to me that as a stranger, no place would be as near home, in one sense, as the office of the only Pacific Coast company, and the representative of the Firemen's Fund justified all my expectations, if not more. When the opportunity presented itself to make this gathering of somewhat more than usual benefit and interest, my thoughts turned naturally to Mr. Chard first, and several months ago I asked him to favor us with an address at this time. He has consented, and has come a long distance to give it to us. I have the pleasure to introduce to you Mr. Thomas S. Chard, of Chicago.

Mr. Chard read the following paper, which was received with loud applause:

#### AS OTHERS SEE US.

*Mr. President and Gentlemen of the Fire Underwriters' Association of the Pacific:*

You have done me an honor, and have given me a pleasure, in asking me to be with you and address you on this anniversary occasion.

Interested for twenty-seven years with that corporation which many of you call Alma Mater, I could not be indifferent to the underwriting history of this region, nor to associations, like this, which have made that history honorable.

In 1875 I first saw the Pacific Coast; and in 1880, and again in 1888, marked the growth of your magnificent commonwealths; and now I am glad to be with you once more, Old Guard and Young Guard, as the last decade of our century turns toward its evening.

You call your fair land "God's Country;" and truly, if the wealth of its abundance, the beauty of its scenery and the sweetness of its hospitality foreshadow God's country, *indeed* Death should have neither victory nor sting.

Recently, in one of his lighter humors, Mr. Gladstone has given us the old riddle, "What is all the world doing at the same time?" and anticipating our reply, has reminded us that "at the same moment we are all growing old." So true is the answer and so swift the flight of time, that the greeting of your orators must often be their valedictory as well.

In this view—impressive at least to one who has crossed the continent to meet you—I will ask you to excuse me now from dealing with technical phases of our business. As to what is applicable in this field, your knowledge exceeds my own. Some of the more general aspects of our interest will be considered in this paper, and with your permission the theme will be—

"AS OTHERS SEE US."

Much depends on the point of view. A painting that in one light reveals neither significance nor beauty, in another may be rich in meaning and harmony. Almost every interest looks well from somewhere, and much that we hastily condemn we should praise on a wider survey. The true philosophy of life is realized in seeing things at their best.

Much depends also on the viewer. The world is rich in treasure to all who are rich in charity. One gathers briars in a field which yields another golden grain. The gleaner reveals the gleaner. The old rhyme truly says:

"This world is not so bad a world  
As some would like to make it.  
And whether good or whether ill  
Depends on how we take it."

When the modern Aladdin reared his Columbian palaces in a night, the kingdoms of the earth with the dawning came to that lake-side scene, and with nobler purpose and greater splendor revealed again that amazing power and glory which, from the Judean mountain, the Prince of Darkness showed to the Prince of Light. There architecture, poetry, history, music, invention, color, every graceful and mechanical art, and the gifts of the soil adorned the spectacle and made its memory imperishable. Wandering among those marble miracles, how we studied effects, learned the mysteries of lights and shadows, and in them gave to every object the point of view which yielded best.

The Columbian Exposition and its after-glow by the Golden Gate have faded into history, but in the world-wide exposition of human affairs their

influence should lead us to grant to every interest a consideration just and kind. The sentiment commended by Emerson which gives to paintings and statues the best light, should be as generous with every vocation by which our fellows live.

Somewhere in his "Wealth of Nations," Adam Smith records the fact that man is the only animal that traffics. No bird or beast ever offers a fair exchange for the food, nest or lair of others. The transfers in the lower kingdom are all involuntary. But man, the trader, trades for gain. Loving money much, he desires much in return when he parts with it. To under-value the market's offerings is a way to a bargain; and that is why he sees against the grain every interest but his own; and is also why the benefits conferred by our business are seldom mentioned with enthusiasm except by ourselves. We know that when Chicago cried from her cinders and Insurance answered with fifty millions of dollars, the public comment was somewhat acid, and too often disparaged the good Samaritan even while he was pouring in the oil and the wine.

We may, perhaps, find comfort in the fact that of chilly criticism the underwriter has no monopoly. The "cold shoulder" is perceived as well by every vocation seeking gain. Lawyers, doctors, clergymen, editors, teachers and tradesmen have always been the subjects of a laughter not entirely kind. The attorney who decries the underwriter may remember that the lawyer has been defined as "one who wrests your estate from your enemy and keeps it himself," and indeed has not some Irishman misquoted scripture to prove that "the devil was a lawyer from the beginning"? The physician who being also a dairyman, was "more successful with the well than with the sick;" the clergyman who "lost his pulpit because he pounded it so hard that his people could not sleep," the butcher and his scales, the grocer and his sanded sugar, the plumber and his mirth-provoking bill, and that "ninth part of a man," the tailor, with legions of others, are victims of a common irreverence.

Were all men accepted at their own estimate, our mutual admiration party would dwell in a stagnant world. The Kingdom of Heaven may be within us, but the Kingdom of Reform is largely from without. Let us, therefore, welcome criticism. It is a thorny bush whose blooms are sweet.

All progress needs the aid of complaint. The old proverb, "All things come to him that waits," is true in a sense, but less useful than "All things come to him that kicks." When "the children of Israel murmured in the wilderness," the bitter waters became sweet. Murmuring against hunger, manna fell from heaven. Murmuring against thirst, water gushed from the rock. Yet these wanderers, whose bones whitened the desert, may also teach us that complaint untempered by either gratitude or justice, reacts upon the complainer. The grapes of Eschol are for other lips.

The criticism which is a factor in the world's onward march must be intelligent and true, and the truth must be apparent and fit the particular time and place. For example, John T. Raymond, immortal as "Col. Sellers,"



once produced a play entitled "Risks," in which an insurance agent, loquacious and obtrusive, supplied the comedy. Coming to a region where the business of underwriting was as dignified as that of banking, Mr. Raymond's sparkling play was an entire failure, and its brightest passages were received in silence. Inquiry revealed the fact that the type of character he portrayed never had been seen nor heard of in that part of the country, and the audience felt that he was trifling with its credulity.

Having found that all interests are the subjects of criticism, let us pass from the general to the particular for what instruction we may glean.

In former times men trusted in Providence and insured themselves, but being often disappointed in their kind of Providence, they instituted underwriting. Premiums are fire taxes. In bible days, tax collectors, then called publicans, were siamesed with sinners as being something unusual in that way. If since then tax collectors of any kind have enjoyed the public smile, history has failed to record it. The insurance publican must accept the common fate.

It is our misfortune, also, that the *quid pro quo* is not always seen. The assured, who reviews his general expense, realizes that food, fuel and clothing were essential to life. The expenditure for medical and legal service restored health and retained wealth. But the premium was cash exchanged for a numerously-conditioned promise concerning an unrealized contingency. The mariner escaping shipwreck does not disparage his life-boats, nor should those who escape fire-loss cavil at contracts that might have prevented ruin.

Many believe that the loss on wholly-destroyed buildings, irrespective of their value, should be measured by the insurance. Hence the Valued Policy Law, venomous as a rattlesnake on a war footing. This law has converted fraudulently millions of dollars to ashes. Debauching the morals of the people and increasing their insurance rates, it has made of honest men, not its beneficiaries, but its victims. Yet, standing knee-deep in statistics justifying these charges, the Supreme Court of a great State complacently remarks, as an *obiter dictum*, that this law seems wise and good.

Here we recall an anecdote of Curran, the Irish advocate. After listening to similar judicial wisdom, he chanced to smile as he glanced toward the bench. "Do you see anything ridiculous in my wig?" queried the Judge. "Nothing, my lord, but the head," was the reply.

It may be that there is some good middle ground between valued and unvalued policies. As yet it is undiscovered country, but we cannot be sure that it does not exist. Until our Moses or Columbus appears, we should in every way carefully limit our lines to a conservative basis. Possibly, some day, general and fire taxes on buildings may be assessed on like valuations. Meanwhile, let us learn a lesson from natural history. So long as the woods are full of Nimrods, corporations, like the wise of the lower kingdom, should assume the hue of their surroundings.

Are we not apt to adjust our system to ideal instead of to actual human nature? While truly asserting, for example, that our clients should read their policies, do we not fail to fit our practice to the known facts that they do not and will not so read. For their illiteracy there is some excuse. Certain courts have decided in such cases that "ignorance is bliss." The people, therefore, easily assume that "'tis folly to be wise." Again, some stipulations seem important to trained underwriters only, and other provisions have been interpreted in many ways. Therefore, the layman seldom remembers them, even if read, and when a policy, like a musket, has lain away long, one forgets that it is loaded.

It is alleged that our policies are long and obscure. Those who charge this should remember that they, also, are partakers of a humanity from which length and obscurity seem inseparable. Nowhere are these qualities more conspicuous than in the standard policies ordained for our use by certain State legislatures. The Minnesota standard, for example, is a Del Monte maze. As by common consent its terms lie beyond the boundaries of the human understanding—a voluminous rider is employed to explain its otherwise meaningless phrases. The rider is not without its own obscurities, and doubtless other illuminating appendices in time will grace this statutory improvement upon the underwriters' work.

When we remember that the great jurist, Story, as Judge of the Supreme Court, was unable to determine the meaning of a statute that he, himself, had drafted, we may expect that our contracts will sometimes be a puzzle. We all have heard of the path so plain that "the wayfaring man, though a fool, need not err therein." Plain as it is, its course has been the subject of endless dispute. And though simple the way, it is more particularly described in the sixty-six books of the Good Volume. The underwriter does not claim that his policy was given by inspiration, but that if it were, the judges construing it would still rival in their disagreements their brethren in the pulpit.

A most valuable safeguard was abandoned when written applications were waived. The practice should be simplified and restored. Questions germane to the moral and less easily ascertainable features of the risk, duly answered and subscribed, would do much toward acquainting applicants with the scope of the contract. The labor-saving idea, however, has nearly ruined our business. Dr. Samuel Johnson once asked an able-bodied mendicant why he did not work. He answered, "Oh, Doctor, if you only knew how lazy I am." Must we say that of insurance?

Another unfavorable incident is, that the claimant often is cast into a nervous, irritable condition by the fire which summons the adjuster. Hence we have not the advantage, always, of dealing with normal men. The adjuster requires definite statements as to quantities and values; these the claimant often is unable to give. The conditions, therefore, favor unfriendly discussions, and the adjuster who wishes to do justice and retain favor, will need the wisdom of Solomon and the patience of Job.

That claims arising under such circumstances occasion so little litigation speaks well for claimants and adjusters.

Insurance laws reflect, in a degree, the public opinion of our interest. When we consider the number of puerilities on account of which we may be fined and imprisoned, we are reminded of the remark of a Scotch judge, who, having heard a prisoner's eloquent defense, said: "Na doot ye're a fine mon—but I'm thinking ye'll be nane the waur for a little hangin.'" It appears that legislators assume, in some states, that underwriters and insurance stockholders are not included in the phrase, "we the people," but are rather to be likened to the blood-thirsty dragon of the Rhine, who, according to Twain's History, lurked in the shadows of the forests, and, by devouring helpless women and children, "made himself very unpopular." As to Pacific Coast legislation, I am not advised and do not speak, but certain is it that in the East, insurance is the victim of much oppressive and unjust legislation, and that often the simplicity and brevity, commended to the underwriter, are absent from the statutes which concern his affairs.

In addition to legislation actual—there is that threatened. In the strain of what we endure, and of what we fear, in this respect, we recall that other Scotchman—Thomas Carlyle—who once remonstrated with a neighbor, a widow, against a crowing rooster that at intervals of the night made sleep impossible. "It's only once in the matter of an hour," she pleaded. "Yes, woman! but it's the waiting for him to begin."

However laudable the motive—if these legislative measures fairly express public sentiment—underwriting as now conducted may be rung out by the bells that ring in the twentieth century. The epitaph of insurance may yet be the words, inscribed on the tomb of many an interest: "Be it enacted."

Evolution touches but to change our world. We can neither wholly understand nor control the forces which, obeying some unseen Power, ebb and flow around us; and even legislation, seeming harsh and unjust, may hint at economic laws that mean us well.

Those of us who are in middle life have seen a wonderful scientific and industrial revolution. Gigantic agencies, set into operation by the most inventive generation known to history, have multiplied quantity and reduced cost in a degree once undreamed of. The mills and factories of yesterday are the broken toys of today; and every interest must conform to its new surroundings or perish by attrition.

The Spirit of the Age that to the statesman, the inventor, the physician, the teacher, daily whispers: "Yet show I you a more excellent way," must have a message for us as well.

Let us confess, therefore, that the underwriter's goal is far beyond, lest we be reminded that "many might arrive at wisdom, did they not think themselves already there."

Habit hardens as the years steal on, and progress is possible only because men come and go. With views and plans adapted to their days, the

men who follow us will take our work. The achievements of each generation are the heritage of the next. It is nature's beneficent way. Nothing is lost. The last rose of summer—blooms forever in song.

While changes must come to the methods of our business, we believe that in some manner indemnity against fire loss will still continue and find, we hope, more peaceful paths. For experience shows that out of turbulence comes quiet. "So we rain our skies blue again," says one writer, and Tennyson as truly sings:

"The old order changeth—yielding place to new,  
And God fulfils himself in many ways  
Lest one good custom should corrupt the world."

We mainly have considered, so far, the causes of disfavor inherent in the business. In conclusion we will refer briefly to some that are personal to ourselves.

First—We should discourage policy constructions that are technical rather than just. Underwriters, as a rule, wish to settle loss claims fairly and generously, yet sometimes defenses are interposed which appear narrow and inequitable. The real motive may rest in the belief that the loss is fraudulent, but the public merely sees that the defense is technical and obstructive. Where a loss is honest some stipulation may be broken. Yet if the breach neither caused nor increased the loss, or added to the hazard; if the risk would still have been carried and no additional charge made had the facts been known; the underwriter whose interests have not been prejudiced, should hesitate long before rejecting such a claim. Public opinion requires that in such circumstances he shall do what equity demands.

Second—Our tariffs should be made on a just basis, applicable to all hazards. We need not rate with microscopes—yet there should be a uniform standard, with like charges for substantial variations, under which any policy-holder could receive an intelligent bill of particulars. But if our tariffs are unstable as weather-vanes, and measure, not the value of risks, but our vacillation, combativeness or greed, who can respect a system so suggestive of the cap and bells? Yet be the rate war in the East or West, the initial stone of criticism will not be thrown, if he that is without sin must cast it. The local situation, as to underwriting anywhere, can absorb all of our tears.

Third—Society justly asks that every vocation shall promote along familiar lines the general good.

When some of us first entered insurance, certain prominent underwriters—(fortunately in the minority)—held that it was no concern of theirs to reduce fire waste, or labor for better fire departments and building laws. It was sometimes even said that fires were a blessing as creating a demand for policies.

If there are physicians who favor open sewers because typhoid means patients, or lawyers who desire statutes to be ambiguous that fees may



abound, they are worthy associates of underwriters who look on complacently while property is consumed. The world has never loved a fiddling Nero.

We may rejoice that in the light of the higher standards and better ethics of the present, these old and unworthy sentiments have disappeared, and that those who once held them are as extinct as the ancient dodo. When we see the young underwriter deeply interested in every modern invention that touches fire hazard, and lending his powerful influence to the suppression of the fire scourge, we see a future for our profession full of honor, and believe that the public will not withhold that approval which crowns all who serve well.

And last—there are no better men than the underwriters, as a class. Notwithstanding what we sometimes say of each other, during our occasional animated controversies, we may safely assume that in ability, integrity and public spirit, the underwriting profession is the equal of any.

Yet while advancing this claim, we are obliged reluctantly to admit that, in selecting their representatives, insurance companies sometimes prefer energy to morality. In such cases the maxim seems to be: "Get business—honestly if you can—but—get business." Too often the sweetest fruit of our neighbor's orchard hangs over our wall, and managers who dupe their associates, adjusters who find non-existent salvage, and local agents who are well-established rate-cutters, find employment—not despite, but *because* of their delinquencies. If given time, honesty is the best policy, but the transient success of sharp practice turns many heads. The too frequent employment of men who are "hustlers" in everything but integrity, lessens public esteem for our interest.

The converse of this is true. The honest man adorns his vocation. Were all underwriters such, insurance would stand radiant. For like a man, a calling is known by the company it keeps.

Hence the value of an Association like this, whose wit and wisdom shine far beyond its borders, and whose majority we celebrate today. There can be no efficient co-operation except on the basis of a broad and kindly good will. Such reunions as this remove bitterness, promote fraternity, diffuse knowledge, and in many ways elevate the tone of underwriting. Here should be unlearned the lessons of a narrow selfishness and perceived that we build best for ourselves when we also build for others. From your ranks come the rulers of our profession, and in the stress and strain of these dark hours should come also those peacemakers commended not alone by Holy Writ, but by all humanity as well.

I stood one evening on a terrace in the Sentinel City of the St. Lawrence. In the distance were the Plains of Abraham where, a century ago, two nations battled for a continent, and the wounded Lion of England tore the blood-drenched Lilies of France. Over the blue Laurentian hills—that ancient land which geology tells us was first to appear above the waves of chaos—rose the full moon, and silvered the mighty river which far beneath me hastened to the sea. Under the ramparts which frowned from

the heights of Quebec, rose near my outlook a stately shaft, consecrated to valor. And as I read thereon the names of Wolfe and Montcalm, foes in life, but linked together in the immortal friendship of death, I thought how transient are earth's rivalries—its competitions, its enmities, and how, at last, over every battlefield of war or of commerce, will wave the Flag of Peace.

Question it as we may, there is a larger purpose in our daily work than we sometimes think. The Persian poet was fatally wrong when he saw in humanity

“ But helpless pieces in the game Fate plays  
Upon the chequer-board of nights and days;  
Hither and thither moves, and checks, and slays,  
And one by one back in the closet lays.”

Rather may we hope we are intelligent factors in the problems of life, moving on toward a worthy destiny. Labor has greater ends for us in view than mere subsistence. The beaver solves his problem when he builds his dam, the squirrel when he stores his winter's food, and all birds, beasts and fishes round their existence in satisfying hunger. If such alone were our purpose, we were easily excelled by our dumb companions. The seal is the better fisherman and wears a coat that would grace a queen. The robin finds food and nest without a care. The lark has always leisure for a song. But we, given a more toilsome life, may draw from our labors experience, wisdom, moral power. If we, as underwriters, shall do this, the day will soon come in which our interest will be eminent among those that men delight to honor—the Coronation Day of Insurance—wherein we shall be glad to be underwriters, and shall fear not to see ourselves *as others see us*.

THOMAS S. CHARD.

Mr. Rolla V. Watt—Mr. Chairman, when we have the opportunity of listening to papers by our own members, we take it as a matter of course. It is their duty, as well as their opportunity, to present their papers. But for an address such as we have had from Mr. Chard, I take it that we are under great obligations, and I feel the least we can do is to record our appreciation of such an able and interesting address as we have had, by a vote of thanks. I therefore move that a vote of thanks be tendered to Mr. Chard for his very excellent address. The motion was seconded and carried unanimously.

The President—Mr. Chard will remain with us during the annual banquet, when all the members may have an opportunity of meeting

him: and I am sure you will take the opportunity to express thanks in person for the pleasure we have received.

Mr. Wright has asked to be excused for a few moments from reading the paper which comes next on the programme; and, with his consent, I will ask Mr. Charles B. Hill to read No. 9, on The Necessity of Revising the City Tariff.

Mr. Hill reads the paper.

### THE SAN FRANCISCO TARIFF.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

Three years ago, in a Knapsack editorial, Mr. George F. Grant concluded a good sensible talk with the words—"Let us return to adequate rates." And this was a year before the disruption of the Compact. It is unnecessary, in the light of recent events, to add that his advice has been utterly disregarded. I wish, however, in a brief and necessarily very incomplete manner, to touch upon the question of "adequate rates" in that portion of the western field to which my connection with insurance work has been limited, namely, San Francisco; and without presuming to instruct those who have been so much longer in the business, to suggest certain changes in the city tariff for adoption when our long wished for new Board may be in operation.

At the outbreak of the rate war, since it was not the policy of my company to take business at nominal rates in the hopes of "getting full tariff next year," I tried to find out from various sources how far our city tariff would stand cutting and still show a profit. I may be wrong, but will venture to state as a fact that the classifications of no office in this department will afford that information. It is comparatively easy to deduce from a table of "gross city premiums" and "losses paid," running through several years, an average reduction of the city income which will still leave a margin for profit over commissions, management expenses and losses. But as for determining what particular classes of hazard would best stand the reduction, and what classes to exact full rates upon, statistics are silent. It is a matter for individual judgment, and the diversity of this judgment has been something fearful and wonderful.

For instance, our warehouse rate used to be 90c. It seemed to those of us whose years in the business were limited that this rate was entirely too high, but the veterans almost unanimously met such argument with the assertion that no company had made money on San Francisco warehouse business during a term of 25 years. We will admit this to be a fact, for the sake of argument, but the further fact is undeniable that the San Francisco of 1897 is not the San Francisco of 1872. While the city has grown, the fire department has more than kept pace with its growth; con-

stant fires in the frame quarter, and enlarged fire limits, have combined to reduce the general conflagration area in some sections of the city and entirely eliminate it in others. I don't believe that warehouse losses in ten years' time have amounted to 7 per cent. of the premiums on that class of business; and some of the managers must have shared this opinion, for we know that warehouse rates have lately been cut by certain of them to less than one-quarter of the old Board figure.

An ideal condition of insurance ratings would be that under which every risk offered to a company should be equally acceptable to the manager. When certain classes of business are "gilt-edged" there is bound to be a scramble for just those classes; and we all know that the keen competition for dwelling-house business, warehouse lines, and Western Addition property as a whole, was the main cause of the Union going to smash, since the companies were inclined to overstep the prescribed limits in cultivating those brokers who controlled the coveted risks.

I remember that the first criticisms of the Pacific Insurance Union that I heard from the business men of this city, were to the effect that under its system of ratings "city premiums were used to pay country losses. Just about this time Mr. Lowden's first paper on "Statistics" was published, and a study of it convinced me that my discontented clients were right. His figures for the Coast generally gave an average loss ratio of 50.25; for California outside of San Francisco, 42.99: and for San Francisco itself in the 13 years of 1875-1887, only 27.47. The figures for late years do not alter this relation. I understand that Mr. Lowden is preparing a second paper on "Statistics," and not wishing to appropriate any of his thunder, have not attempted to compile the results of the last nine years. I find, however, that from 1888 to and including 1894—all compact years—his San Francisco loss ratio of 27½ per cent. was about maintained. In 1895 it was 58 per cent., and last year it increased to 59 per cent., showing conclusively that the rate cutters had entirely overdone the thing, for a loss ratio as high as this means no profit. Moreover, in the first year of this reign of chaos, considerable term business was written, as a result of which the next annual statement is certain to be even more disastrous, despite an immediate stiffening of rates. And since the expense ratio naturally rises with a decreased premium income (even aside from the fact that commissions appear to have been affected in an inverse ratio to the rate obtained), it is manifest that no possible excuse can be offered for the absurd reduction in the San Francisco tariff, other than that already suggested, viz.: "Get the business on our books, and full rates next year!"

\* \* \* \* \*

The question then becomes, "What reduction will the former city tariff legitimately stand?" Let us suppose that every dollar of city premium income during compact days, cost 30c. to put on our books. Estimation of this quantity in the city account is a difficult matter. It isn't necessary to send a high-salaried special agent on a three or four days' trip, at a further



expense of forty or fifty dollars for traveling and incidentals, in order to collect an overdue balance of \$17.50 from a *San Francisco* agent. On the other hand it occasionally happens that the city man's time is appropriated to purchase a baby-carriage or attend to some other trifling commission for a Siskiyou village agent who sends in some \$30.00 in premiums in the course of a year. And I haven't noticed that the *San Francisco* representative puts the management to any great expense for champagne suppers and theatre tickets. Therefore, if from 33 to 38 per cent. was formerly chargeable to expense account for the entire field, 30 per cent. seems a fairly high average for *San Francisco*. Then we have, for the compact days:—

Losses . . . . .	.28
Expense . . . . .	.30
Profit . . . . .	.42

Premiums . . . . .	1.00
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Taking all California business in the same way we have, approximately, for 15 years:—

Losses . . . . .	.40
Expense . . . . .	.36
Profit . . . . .	.24

Premiums . . . . .	1.00
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Since the California business has been reckoned extremely profitable, we will take this last statement for a basis, and assume that *at least* as high a margin of profit is necessary in the city business, in order to create a reserve fund for the conflagration hazard. Then, remembering that a reduced premium income creates larger expense and loss ratios, we are enabled to form the appended schedule for *San Francisco* business, under a proposed reduction of the rates:—

Losses . . . . .	.40
Expense . . . . .	.32
Profit . . . . .	.28

Premium . . . . .	1.00
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And this, as a short computation will show, admits of an average reduction of about 30 per cent. in the former tariff.

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As to which particular classes of hazard should be decreased the most, perhaps the classification books of some of our oldest offices will aid in the solution. Since the heaviest premium income is received from down town stocks, and special hazards, it is plain that these classes will not stand any

more than the average reduction proposed—if that much. Some of them undoubtedly should be left at the old figure. But if some of the high-priced risks are to rate as high as before, the so-called “choice” business may be cut *beyond* the average. This will work in two ways: It will satisfy the large army of small dwelling-house insurers for one thing, and will diminish dishonest competition for such business, for another.

\* \* \* \* \*

Without undertaking to here revise the city rate book—a task which must be given into far more able and experienced hands—I ask your permission to offer a few suggestions regarding special cases. Feeling the importance of meeting an apparently well-founded popular criticism of some of these things, the writer last year sketched out a brief and weakly-humorous memorandum of them, and gave it to George Grant for the “Knapsack.” The anonymous author of this note was so promptly jumped on by the meeting generally, and his contribution so incontinently expunged from the printed proceedings, that he has been quietly wondering for a year past just where he could have been wrong.

Among other things it was therein stated that the compact rate books and cards did not make an adequate difference between “building” and “contents” ratings. A table has been prepared from the Fire Patrol reports of five years past to demonstrate this point, and is herewith appended.

Losses paid on “Buildings” and “Contents” showing ratio of loss to insurance involved. (From Fire Patrol Reports 1892-96.)

SAN FRANCISCO LOSSES.

Year.	Buildings.		Contents.	
	Insurance.	Losses Paid.	Insurance.	Losses Paid.
1892	\$2,257,954 53	\$ 242,438 61	\$1,713,763 00	\$ 437,622 96
1893	2,119,660 60	287,147 02	2,114,821 00	391,703 91
1894	2,934,630 79	221,115 09	1,703,265 95	366,743 57
1895	3,256,591 97	363,066 85	1,831,633 61	590,680 71
1896	2,356,870 78	179,931 65	2,008,000 37	562,739 67
Totals.	\$12,925,708 67	\$1,293,699 22	\$9,371,483 93	\$2,349,490 82
Percentage of total losses: Buildings . . . . . 0.100				
Contents . . . . . 0.251				

Apparently this table indicates that whatever the conditions twenty or more years ago, fire fighting facilities in San Francisco are now such that a fire rarely spreads beyond the building in which it originates, and is very frequently confined to a small damage on the contents of that building. Losses on buildings are only 10 per cent. of the insurance involved, and on contents are two and one-half times that ratio. This certainly means that rates on buildings will stand a much greater reduction than will rates on contents.

Again, it was suggested in the rejected address, that since fires due to the use of coal oil, in one or other of its various forms, were so frequently in evidence on Captain Comstock's daily report, it would be a good idea to charge for its use, or to make a reduction for its absence. Here is another table.

COAL OIL AS CAUSE OF FIRES.

(From Fire Patrol Reports 1892-6.)

San Francisco losses.

Year.	Dwellings.		Other Risks.		All Classes of Hazards.		
	Total	Due to	Total	Due to	Total	Due to	Un-
	Fires.	Coal Oil.	Fires.	Coal Oil.	Fires.	Coal Oil.	known.
1892	154	17	266	23	420	40	65
1893	166	18	255	19	421	37	63
1894	172	31	267	21	439	52	75
1895	186	34	276	35	462	69	54
1896	188	47	367	32	555	79	44
Totals.	866.	147	1,431	130	2,297	277	301
Fires due to coal oil: In Dwellings . . . 17 per cent.							
In all hazards . . . 12 per cent.							

No other incendiary except our old friend, "cause unknown," is half so active in this city as coal oil, and moreover, the ratio of fires from this cause seems to be constantly increasing. In dwellings 17 per cent. of the fires started from this cause; in all hazards 12 per cent.

When inspecting a tenement risk, the most important point to my mind, after valuation and general appearance, hinges on the use of coal oil. A coal oil lamp in the hands of an intoxicated lodger is even more dangerous than over-insurance on a country store. Coal oil lamps are found to explode under various provocations. I have sometimes been tempted to believe that the "accident" may also be caused in some mysterious manner, whether by leaving the lamp too high or too low I am not well enough versed to suggest.

It has always appeared to me that in the residence districts of this city the almost invariable corner store has been greatly overcharged in comparison with its neighbors. Usually we find this store building, in the districts under consideration, to be of a similar class with its immediate surroundings in point of construction, and to receive the same watchful care accorded to the dwellings. Usually the proprietor's family live in rear rooms communicating with the store, and the flat above is simply a dwelling house occupancy. The only thing against this risk is that it contains a stock of groceries or produce, as the case may be. But in all fairness, it may be asked whether a small stock of groceries, mostly contained in cases or tins, is any more liable to damage from fire and water than a richly

upholstered parlor set? Certainly there is no more inherent hazard in the small grocery stock than in the dwelling risk, yet the building containing it (in such a range as has been described) was formerly rated at 1.55, while the four contiguous dwellings on either side were rated at 95, 90, 80 and 60c respectively. When we consider the long-term privileges of the dwelling house insurer, it is evident that the tenant over such a store had to pay nearly three times as much for his policy as did his immediate neighbor.

*Per contra*, let us consider the case of a detached dwelling-house and stable, such as are frequently found in the wealthier residence quarter. If the dwelling were worth the 50c. annual rate scheduled, then the stable ought certainly to be worth more than the 85c. rate found in the tariff book.

Looking over the tariff book we find numerous other inconsistencies. Brick theatres are still rated at  $4\frac{1}{2}$  per cent. in spite of the fact that the formerly dreaded "theatre hazard" has been enormously reduced by the substitution of incandescent lamps for gas flames in the wings and flies. Similarly with "photograph galleries." The cautious underwriter continues to shun them as he would the deadly upas tree, notwithstanding the circumstance that all the dangerous chemicals formerly used in the "wet-plate process,"—alcohol, collodion, ether, benzine and other inflammable substances—are now done away with, while those used with the modern dry-plate could almost be utilized as hand-grenades in case of fire—to put it out. This was the state of things long before the rate war, yet that event still found photograph galleries rated at 1.35 brick and 2.10 frame. In passing, please tell me why this difference? Is not the inherent hazard of a *detached* brick photograph gallery quite as great as that of a detached frame? And should not the exposure charges make up a proper rate when the risk is in a range?

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Doubtless a careful revision of the city tariff would exhibit other instances wherein the rates made many years ago should be adapted to modern conditions. Greatly as we all desire a return to board supervision, it will probably be admitted that a resumption of the old rates as a whole will only lead to almost immediate trouble. Discrimination must be used in restoring rates to a paying figure, especially in this city where the pressure brought to bear upon the management of discontented companies is so strongly personal. Questions of district should enter more largely into the computation of rates. Under our old system a dwelling-house on Clarendon Heights, or away out in the Richmond District, paid no more than one similarly exposed on Van Ness avenue. A range of antiquated buildings on Sixth street, where the blocks contain 455,000 square feet, was rated under the same tariff applying to modern buildings on Devisadero street, where the blocks contain only 113,000 square feet, and the risks are more widely separated. All these things call for careful consideration when judicious practices are resumed. May they come soon!

CHAS. B. HILL.



The President—I have noticed at least four times in the past few years, that Presidents have drawn your particular attention to good papers which were prepared by young men who felt very diffident, and who had even suggested that their names be omitted from the printed programme. I am sure you will agree with me that this is only another case, and that we have gained much by the preparation and reading of this paper. The ideas contained therein have been carefully prepared and clearly presented, and leave room for argument. (Pausing.) Are we to understand that the opinion of the Association, as expressed by the action of last year, has been completely reversed by the masterly arguments presented by Mr. Hill, and that his views now stand approved? It would seem so.

It may be well to say, before the reading of the next paper, that the President, warned by the advice of the great majority of the members of this Association, endeavored to prepare a short programme, because he was assured that unless that were done the discussions would be so pressing that we could not finish in time for the banquet. So far, the discussions have not materialized.

The next paper will be read by Leslie A. Wright, and is entitled "Competition."

#### COMPETITION.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

I have heard a minister of the gospel say these words recently from his pulpit: "Competition means war and war is cruel—you can neither beautify nor refine it." As to its necessity, however, he said nothing, and I am only now writing as a result of the train of thought which he set in motion at that time. He also said: "I hate competition and I wish there were no such thing in this fair land." In this view of it I believe he occupies a position peculiarly alone. To me, competition seems the very essence of improvement, the current which moves every feature of legitimate trade, though it drown many in its flow, and is as strong in its formative influences toward a great national character and history, as are the laws of blood and heredity themselves. It is often paradoxical. There is no progress in the world where no competition exists, and yet we have all looked upon the decay and gradual fading away of a city or country, because of the competitive superiority of adjacent or foreign territory; and while the local and self interest opinion is that competition kills, it is the world's verdict that there has been progress as a whole. Our own country

in its brilliancy of achievement has furnished plenty of material for a great article upon this very question, but I am touching the subject chiefly as affecting our own business. There is competition and competition. We have endless evidences of its quality within the local's field. There is the agent, whose bump of insistence is developed beyond any of his other bumps, who hangs to a possible risk like a barnacle to a whale, and there is no shaking him off. He tracks his victim tirelessly. Calls in his friends, and his friend's friends,—gives away choice cigars, finds extraordinary beauty in the children—suggests a cure for spavined horses, might offer to do odd chores, and all in all, fairly ingratiates himself into and absorbs every spare moment he can of the much-ridden insurer, until finally he lands the risk. He obtains business and sometimes a good deal of it, but in my judgment it lacks that peculiar value which is attached to the agency whose first principle has been to establish such connections as attract business naturally and easily. These connections are in most cases purely financial, but coupled with that, is the worth of personality, which in the first place made the financial responsibility and trust possible. The competition of such an agency is none the less active because of these natural advantages, but it is usually accomplished with more quiet force and dignity. There is usually, also, a better understanding between the agency of this class and the office management to which it reports.

It can very truly be said that all agents will not occupy such a position of vantage as this, but it can also be said that to enter into competition with it, does not require with the lesser agency a sacrifice of all legitimacy and principle, or correct business methods. The agent, who in time of average rates and rules under the government of organization, wilfully cuts a rate or grants a concession which he knows will not receive approval, but will on the other hand, be referred again to him for correction, unfairly competes with his fellows, but generally with a boomerang result. The assured is often quick to see the imposition, and if he does not stay with his old agent, is very apt to select a new one. Of course it is legitimate competition in the application of the schedule for an agent to verify distances with a tape line against the agent who has paced the distances, and his reward is earned well enough if he capture the risk. And given the same proposition with everything equal—it is competition of good quality to have the plum because of better ability in presenting the proposal to the clients' satisfaction and understanding. Next is the competition of natural resources pitted against natural resources, in all of which I have abiding faith.

It is by pure competition that an agent in any town or city earns the good will of his fellow agents, and this characteristic usually is accompanied by a care in the selection of his business, until gradually he creates a value in the eyes of companies, and their managers, and is privileged with the pick of the one and earns the regard of the other. Such an agent is responsible—he generally knows his clients personally, knows the physical hazard of the risks he writes, with oftentimes a very close

knowledge, is important as an instrument to fathom the preventable fire factors in a risk, and simply by the exercise of the faculties endowed in him, competes to a position of respectability, character and intelligence, which holds the regard of all men and marks him for almost anything higher in the province of others to give. There are not too many of these agents, 'tis true, yet there are some, and it has been my own pleasure to meet and know a few of them. My hat is off in all honor and respect.

Coming out of the local's into the special's field, my remarks are necessarily limited because the question may very easily drift upon the verge of personalities and even further. There is no desire to preach--to create a "special" standard as it were, which may be absorbed and emulated throughout our ranks, but simply to air some personal views which are the result of slight observation. The special agent is a very peculiar individual, usually of much versatility and adaptability--the verbal expression of the office management to the local agent, and in his own estimation quite a cock-in-the-pit. Right here I am impressed with the adage concerning people in glass houses, yet frankly there is much harm and also much good done by the special agent in the form of competition which he adopts in the interest of his company. There is unfortunately much time spent by some specials, not in presenting the good points of his company, and the personality of his office to agents, but in giving suggestive comparisons affecting the standing of another company or its office, with a desire to tear down that he may build his own structure upon the ruins of the others. This is deplorable competition, and fortunately only erects a house of cards which is blown off its foundation with the first good breeze that comes along.

A truthful statement, an absence of jealous or petty interest in the affairs of other offices, a professional honor and consistency in speaking of other field men, together with a wholesome and watchful regard for your own company's interests, and the proper presenting of your manager and his office needs to the agent, all of these, with a friendly interest in and encouragement of the local agent, are abstractly to me, a high form of competition calculated to exercise a leveling influence and to help create a proper character in our uncertain business. The details which creep into the special's part of the work, the snags and knotty problems, the exigencies calling for speedy action--all are easier to that special who has so fairly competed for place that his agent is in no position to refuse him co-operation, or to strew his way with obstacles.

In these present and past days of disorganization and its ills, it has been a good deal like feeling "salt on one's lips and the large air again" blown in from the ocean to find men who have had the courage to face right principle without a falter, and to make an effort with honesty and strength of purpose to win out, while there has been most awful gnawing at their vitals in the process.

In conclusion, while the question has been touched but slightly, and mainly upon generalities, I wish to refer to a system of a so-called compe-



tition, which is prevalent in the present, sometimes openly, but in the past has been under hiding. I mean the actual purchase of an agent's business by some of the companies, either by direct proposal on the part of the management or through the medium and recommendation of the special, usually accomplished by offers of excess commissions and other percentage allowances, or by actual stated sum paid outright. The competition of merit and ability against this form of approach is temporarily handicapped and outdone—vanquished but not dead, and waiting for the opportunity to come into action again, when anything like an even keel for all has come out of the general trouble. In fact *purchase* is not competition at all, and the figures piled up by such a system, and upon such a foundation are never matters of pride, to bring a victorious blush of triumph to the cheek, but are in fact laden with such cancerous germs that the whole structure stands to rot away, and to fall with its architect.

Let the competition be honest, let it be clean, open and strong. Let us lay aside bad methods and absorb good ones. Let us look straight into the future with such principles invested in our business as will cause our positions out here to win the plaudits of such other sections as are now shrugging their shoulders as their slightest and least forcible expressions when referring to this department.

Competition will do it—but it must be pure competition under the light of truth and good faith.

LESLIE A. WRIGHT.

The President—I am sure the Association will endorse all the sentiments to which it has just listened. I will wait a moment to see whether there are any additions or amendments to be presented.

No President has ever yet failed to give pleasure in announcing that the next paper will be read by Mr. Wm. Sexton.

Mr. Sexton reads paper on "Adjusting Losses."

#### ADJUSTING.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—

Following the saying that there is nothing new under the sun, you will listen to old things rehashed; one of the oldest is the chestnut that "Adjusters are born, not made." This bald-headed saying is part fact, and part fancy; the fact part is, that "Adjusters are born;" the fancy part is, that "Adjusters are not made."

There may be men who were born to be adjusters, and there may be men who were born to be hung, but the "borning" part has but little to do with the final destination of the "borned."



From experience I can say, that adjusters are born like other people, and are made into adjusters by accident, hard work, experience, hard study and at great cost to the insurance companies.

It is hard for a new adjuster to understand why the manager hands him a bunch of papers and says: "Go to Smithville and adjust the Smith loss," without giving him definite instruction as to how he shall approach Smith, how much depreciation he should insist on on the building, and what per cent. should be allowed for freight, discounts, and depreciation; he does not know that it is as easy to theoretically and by book instruct a school boy as to the force and elevation that a rock shied at a vacant building window in a city, or at a bird, or an apple in the country, must have, as to try to instruct an adjuster in advance as to what he should do on a loss; his action must, like the boy's, be governed by experience gained at the expense of the business.

Our genial co-worker, A. A. Andre, who in his youth was a "Sailor bold as ever over the ocean rolled," illustrates theoretical book learned adjusting, as against the results of hard, practical work, by telling his experience on a ship commanded by a shore educated book captain, who, instead of calling his first officer to "tack ship," concluded that he could do it by the book, and under the heading of "Tack Ship," he read out the orders, "Ready About!" "Hard-a-Lee!" "Tacks and Sheets!" "Main-sail Haul!" and was getting along nicely until he reached the bottom of the right hand page, where the next order, "Let go and haul," came in, but as the words "let go" were on that page, and the balance of the order was on the other side of the leaf, and as he turned over two leaves instead of one, he found the words, "the anchor," and very promptly sung out, "Let go the anchor!" The ship's carpenter answered that the cable had been unshackled and the anchor stowed. The captain said that that was the order in the book, and that the anchor must go.

Mr. Griswold says of the adjuster, "That his office is really judicial; he should be a prompt and ready thinker; should be a combination of merchant, mechanic, underwriter, lawyer and detective; he must say unpleasant things in a way to avoid irritation." Mr. Griswold says much more that I have not room to quote; his article on "The Adjuster" will pay for reading.

There are a few rules, old but good, that will help just a little.

The first is to adjust the claimant, the second is to adjust the policy, and the third and last is to adjust the loss.

The claimant with his first loss is naturally nervous, and always ill-advised, and must be treated as if he were a reasonable person, with rights entitled to respect, and he must be made to believe that he will get the actual cash value of his loss, no more, no less; must be dealt with on a basis of always just, but never liberal.

The policy should be adjusted to cover, as intended by the agent and assured, such intention to be construed by the adjuster from a business standpoint.

A policy covering \$2,000 on bank furniture should not be limited to the carpets, chairs and spittoons worth \$350, when the evident intention was to cover the furniture and fixtures worth \$2,500 to \$3,000.

"Adjusting the loss," Patriarch Hine, the Monitor man, whom you all know, says, in the recollections of the Patriarch, in giving his experience in closing a peculiar loss: "I made some sort of a settlement, the details of which I have forgotten, but the general results were, I believe, satisfactory to both the company and the claimants.

"That was the point at which I always aimed. I know adjusters who could always make what they called 'a good settlement for the company,' but they usually left the claimant mad and the community critical; and I have known others who could always leave the claimant and his friends happy, but the settlement cost the company too much money.

"To strike a happy mean and meet the just expectations of both sides, seemed to me to be the highest plane on which an adjuster could work, and the one towards which we should always strive.

"A favorite plan with a suspicious claimant, one much in vogue I think, among adjusters, was the 'honest dodge,' when I found a man who had already put his case in a lawyer's hands, and who looked with suspicious eyes on all adjusters, and came at me with his fur all on end, I could sometimes disarm him by being so all-fired sweet and honest that he didn't know what to make of me.

"As likely as any it would be a plain case, perfectly easy of settlement, if the parties could only get together, and I would usually say (which was really the case): 'We want to pay every cent we owe you, and, of course, you don't want us to pay more. It is a simple case of finding out how much the loss is. You know a thousand times more about these goods than your lawyer does; now let you and me go to work like a couple of common-sense business men, and see if we cannot get at the figures without any law or any delay. You need not commit yourself to anything until both you and your lawyer are satisfied that you are being treated fairly.'

"Sometimes it would work and sometimes it would not, but in the majority of that sort of cases it saved time, friction and money."

The Patriarch's methods of thirty years ago may be added to, but they cannot be improved upon.

In trying to add, I suggest, that in adjusting the assured, the adjuster make inquiries as to his character and get him sized up. If he is honest, but cranky and afraid of insurance adjusters, he will also be afraid of appraisers, and might be the class of man that in a detail, piece by piece claim for loss by damage, would be honest in his estimates and could be settled with direct.

That depreciation, discounts and various other factors that make up the adjustment of the loss, are not always positively provable, and must be reached by estimate, and agreement, makes it necessary for an adjuster to

listen patiently to the story of the claimant, and to be very careful and politic in reaching his conclusions.

A cast-iron back-bone is considered valuable in business generally, but in adjusting, spring steel, that will give and recover, is a better article.

Much bad and costly legislation has been the result of conflicts between "stubborn honesty" in adjusters, and prejudiced belief "in their rights" by claimants, which might have been avoided if the adjuster would have had more tolerance for the assured, and had kept in mind that every man honestly over values his own horse, and that every mother over-estimates her own baby.

A claimant once said, that if the company adjusters were as courteous as their solicitors, there would be less friction in settling losses.

We should, if possible, settle with the claimant direct, and keep out of appraisement; as signing an appraisal agreement admits that the property is damaged, and the appraisers are apt to look upon the stock as they would upon a bankrupt stock—as worth only 65c on the dollar, because of being thrown upon the market, and to allow at least a 35 per cent. loss; and only as a last resort should appraisal be had.

Taking a damaged stock without appraisement and paying cash value therefor, and disposing of it through wrecking companies, has not become general on the Coast so far, and while this method has its good points, it also has its, to my mind, very bad features.

Its good points are: first, no soiled overalls and jumpers, grimy hands or bad colds by the adjusters from working and putting in order a dirty, damp stock; next, paying full cash price for the goods, shipping them out, and leaving the home market clean for the claimant's new stock. These are the good points in favor of adjusters and claimants. Its bad points are that it deprives the companies of the chances of a better settlement by agreement or appraisal, leaving the option of taking the stock to the last, and it also educates adjusters into the habit of not getting down into the dirt and debris, and digging into the loss and finding out something, sometimes, about the fire, the stock and the claim.

The rights of the company and the method of getting at the loss are very plainly set out in the policy.

The loss or damage shall be ascertained or estimated by the insured and the company, or if they differ, then by appraisers; the company then has the option to take all or any part of the articles at the ascertained or appraised value, and can, if the appraisal is not satisfactory, take the damaged stock or any part thereof and dispose of it through the wrecker.

Adjusters should insist on having the goods separated and put in order, as provided for in the policy, and that there can be no excuse on the part of the claimant, the expenses paid by claimant to put the stock in order should be admitted as part of the loss; cleaning, assorting, and putting property in order adjusts the loss to the eye of the claimant, and as seeing is believing, work in cleaning gives better results than argument; we should also insist upon the "complete inventory," "stating quantity, and cost of each



article and the amount claimed thereon," also the sworn statement, giving cash value of each item thereof, and the amount of loss thereon; in fact, should insist on each provision of the policy being literally carried out, and when the data, as provided for, is received, the adjuster should then check over the claim with the assured, or without him, if he refuses to act, and make his estimate on the various items as an offer to the claimant of the amount that the company will pay. If this offer is refused by the claimant, then the disagreement is reached that calls for appraisal, as provided for in the policy.

The appraisers must estimate and appraise the loss in detail, stating separately sound value and damage to each damaged article.

The adjuster must see that the appraisers have all testimony that can be had to assist them in making up the amount of the loss, also see that no fraud is practised on or by the claimant, and that the appraisal award be not closed without due and proper notice to the claimant.

This method gives the assured and the company a chance to agree on the loss, and in case of failure to agree, gives an appraisal, and, lastly, gives the company the wrecker option.

This long form of getting at a loss should only be resorted to, to prevent the company from being robbed when the claimant is ugly and hoggish. A disposition on the part of the adjuster, as laid down by Mr. Hine to meet the assured as a business man and treat him fair, is always met by an honest claimant in the same spirit, with the result of an early, fair settlement.

By treating the claimant with due consideration, nine losses out of ten can be settled early and economically by direct agreement between the adjuster and the claimant.

Three notable instances, among many others, of this way of doing it occurred in San Francisco during the last two months of 1896: The Raphael fire on clothing, the Stevenson fire on toys, and the Whittier, Fuller fire on paints and oils, were all settled within a few days without interfering with the regular trade of these firms, and to the entire satisfaction of both claimants and companies.

It is always in order to ascertain, fix and agree upon the amount of loss before looking for or discovering any act of the insured, or any fact in connection with the claim that would void the policy; because, when any such act or fact is made known to the adjuster by the admission of the claimant, then the adjuster, if connected with the company, must deny liability because of said act or fact, but may continue the adjustment under a non-waiver stipulation. An adjuster not connected with the company can call claimant's attention to the act that voids the policy and continue the adjustment, with the understanding that upon his report to the company, it will admit or deny liability, but it is safer for such adjuster to also take a non-waiver agreement.

Denial of liability need not be made on hearsay testimony, or on any testimony other than the statement or admission of the claimant, and care



in steering clear of knowing too much will often enable an adjuster to only discover that the policy is void when the proofs are made up.

Any act of insured, called for by the adjuster, under the conditions of the policy, after receiving an admission that voids the policy, will reinstate the contract.

An adjuster should not make a salvage, and must not miss a salvage; he should get at the actual cash coin loss. He will by experience get a fair idea of the loss on damaged property without appraisal; will also be able to figure the loss on an ordinary building, and can by loading up with price lists and keeping posted on depreciations and discounts, get at losses on contents of buildings other than merchandise.

The insurance journal writers are giving the subject of adjusting and adjusting expense much thought and space, and the drift of opinion favors concentrating on independent adjusters or company adjusters, and is away from the old style of each company having its own man on a big loss, as the plan of letting one, two or three men do the work gives better results. The independent adjuster of to-day depends upon doing his work properly and not on making a salvage where there is none, to maintain his position, and the old scalper objection to him no longer exists.

"Too many cooks spoil the broth" is a very old saying, and nowhere does it apply so well as to a mob of adjusters on a loss.

Two men on a big loss will do better than one, oftentimes three will do better than two, but more than three will make mischief.

The expense account of adjusting, as in all other branches of insurance, must be watched, and not only a saving in expense can be made, but better results are reached by jointly employing one, two or three good adjusters on a large loss.

In addition to getting the loss on damaged merchandise, total loss figuring from books will be required, and while book loss figuring is not as important as general loss work, there being not over one book loss in fifty losses, yet we should be prepared for that one loss.

The principal factors in a book loss are: inventory, purchases, discounts, depreciations, freights, sales, saved, and profits. The inventory should be carefully scanned, and horses, wagons and outside property, furniture and fixtures taken out. Purchases, merchandise accounts should be looked into carefully; and outside expenses, such as rent, insurance, freight, traveling, taken out, and the account reduced to the actual invoice cost of the merchandise where purchased.

The method of buying, to find the percentage of cash and credit purchases, with proper discounts on latter, should be ascertained, and the percentage agreed on. The percentage of depreciation on stock from shelf wear and because of changes of fashion, and the percentage of freight charges should be settled and agreed on; the freight can be ascertained from the books.

The merchandise sales account needs the same scanning as the purchase account, to see that a ranch, or a horse and buggy sale, is not credited in

*ERRATUM*—The second paragraph on page 57, beginning line 10, should read:

The profit percentage, in fact all percentages in a loss statement, except depreciation for wear, should be based on the "invoice cost" of the merchandise to the claimant, as profit is intended to cover freight and all expenses in buying and selling. The percentage of depreciation should be based on the "invoice cost" with freight added, as the freight value in any property must wear out and depreciate in the same proportion as the "invoice cost" value does.



merchandise account. Also look for merchandise taken for family, hay and feed for team and other similar items, and see that the company has proper credit.

Profits must be fixed and agreed on, either from the books of previous years or from general experience, bearing in mind that larger profit means larger loss; smaller profit, smaller loss; and if last year's books do not furnish data on which to base profits, that the claim of the insured that the profit on yeast powder is 50 per cent. is offset by the fact that the profit on flour may not be 5 per cent.

The profit percentage, in fact all percentages in a loss statement, should be based on the "invoice cost" of the merchandise to the claimant, as profit is intended to cover freight and all expenses in buying and selling.

The insurance company's interest ends at the instant that the goods are replaced on the shelves in the store where the fire occurred, and for this reason we only deal with cost of transportation, putting on shelves and insurance en route, if any, from where purchased, in addition to the invoice cost.

The "Statement of loss," as made up, is not an adjustment of the loss, it is only in a condensed form, a summary of the adjusted, estimated, ascertained and agreed amounts of the various sums and percentages involved in the settlement, as determined on and agreed upon by the assured and the adjuster.

In addition to the forms of the statement in use, I also make up statements in journal form. Form with discount, depreciation, and freight in. Ledger form, including freight. Ledger form of separate merchandise, and fire loss accounts, and a ledger form of separate merchandise, freight, depreciation, discount, debris, and fire loss accounts.

**FORM No. 1.**

**STATEMENT, LOWDEN FORM, "FREIGHT OUT."**

Inventory.....	\$20,000 00	
Deduct items not covered.....	\$ 1,100 00	
Deduct freight 5% .....	900 00	
	<hr/>	
		2,000 00
		<hr/>
Inventory at invoice cost.....	18,000 00	
Purchases at invoice cost.....	15,000 00	
	<hr/>	
To be accounted for at invoice.....		\$33,000 00
Sales cash and credit.....	16,800 00	
Less profit, 20% on invoice cost.....	2,800 00	
	<hr/>	
Sales at invoice cost.....	14,000 00	
Mdse taken for family at invoice cost	550 00	
Mdse unharmed " " "	3,000 00	
	<hr/>	
Accounted for " " "		\$17,550 00



Destroyed and /or damaged at invoice cost .....		15,450 00
Add freight 5% on invoice cost.....		772 50
Destroyed and /or damaged at invoice cost and freight.....		<u>16,222 50</u>
Deduct dep'n 10% on invoice cost...	1,545 00	
Deduct discounts 2% on $\frac{3}{4}$ invoice...	231 75	
Deduct cash rec'd from sale of damaged stock.....	<u>1,125 00</u>	
		<u>2,901 75</u>
Loss as adjusted.....		<u>\$13,320 75</u>

## FORM No. 2.

## STATEMENT OF LOSS WITH "FREIGHT IN."

Inventory.....	\$20,000 00	
Less items not covered.....	<u>1,100 00</u>	
Inventory at invoice cost and freight	18,900 00	
Purchases at invoice cost.....	15,000 00	
Freight on purchases 5% on inv. cost	<u>750 00</u>	
To be accounted for at invoice cost and freight.....		<u>\$34,650 00</u>
Sales cash and credit.....	\$16,800 00	
Less profit 20% on invoice cost. ....	<u>2,800 00</u>	
Sales at invoice cost.....	14,000 00	
Freight on sales at 5%.....	700 00	
Mdse. taken for family at invoice cost	550 00	
Freight on same at 5%.....	<u>27 50</u>	
Mdse. saved unharmed at invoice cost.....	3,000 00	
Freight on same at 5%.....	<u>150 00</u>	
Accounted for at invoice cost and freight.....		<u>18,427 50</u>
Destroyed and / or damaged at invoice cost and freight.....		<u>16,222 50</u>
Deduct dep'n 10% on \$15,450.00, invoice cost.....	1,545 00	
Deduct discount 2% on $\frac{3}{4}$ of \$15,450.00, invoice cost.....	231 75	
Deduct cash received from sale of damaged stock .....	<u>1,125 00</u>	
		<u>2,901 75</u>
Loss as adjusted.....		<u>\$13,320 75</u>

FORM No. 3.

STATEMENT WITH DEPRECIATION AND DISCOUNTS,  
AND FREIGHT IN.

Inventory.....	\$20,000 00	
Less not covered.....	1,100 00	
Inventory at invoice inc. 5% freight..		\$18,900 00
Purchases ....		15,000 00
Freight on purchases.....		750 00
		<hr/>
		34,650 00
Less dep'n 10% on invoice cost		
\$33,000.00.....	3,300 00	
Less discounts 2% on $\frac{3}{4}$ of inv.		
cost \$33,000.....	495 00	3,795 00
		<hr/>
To be accounted for at cash and freight.....		\$30,855 00
Sales cash and credit .....	16,800 00	
Less profit 20% on invoice cost.....	2,800 00	
Sales at invoice cost.....		14,000 00
Mdse. for family at invoice cost.....		550 00
Mdse. saved unharmed at inv. cost...		3,000 00
Freight on \$17,550.00, at 5%.....		877 50
		<hr/>
Accounted for at invoice and freight		18,427 50
Less dep'n 10% on invoice cost		
\$17,550 00.....	1,755 00	
Less discount 2% on $\frac{3}{4}$ of invoice		
cost \$17,550.00.....	263 25	2,018 25
		<hr/>
Sold, saved and used at cash and freight.....		16,409 25
Cash received for damaged goods.....		1,125 00
		<hr/>
		17,534 25
		<hr/>
Loss as adjusted .....		\$13,320 75

FORM No. 4.

STATEMENT OF LOSS, JOURNAL FORM.

FIRE LOSS.	Dr.	Cr.
To Inv., incl. frt. and items not covered.....	\$20,000 00	
" Purchases at invoice.....	15,000 00	
" Freight on purchase at 5%.....	750 00	
" Profit on sales.....	2,800 00	
By Items in inventory not covered.....		\$ 1,100 00
" Sales.....		16,800 00

" Freight on sales.....	700 00	
" Merchandise for family at invoice.....	550 00	
" Freight on ditto.....	27 50	
" Merchandise saved at invoice.....	3,000 00	
" Freight on ditto.....	150 00	
" Depreciation on \$15,540, at 10%.....	1,545 00	
" Discount 2% on $\frac{3}{4}$ of \$15,540.....	231 75	
" Cash value of damaged merchandise .....	1,125 00	
" Balance loss.....	13,320 75	
	<hr/>	
	\$38,550 00	\$38,550 00

**FORM No. 5.**

## STATEMENT, LEDGER FORM.

## FIRE LOSS in Account with Claimant.

Dr.			Cr.		
To Inv. including fr't....	\$20,000	00	By Items not covered....	\$ 1,100	00
" Purchases.....	15,000	00	" Sales.....	16,800	00
" Freight on purchases	750	00	" Freight on sales.....	700	00
" Profit on sales.....	2,800	00	" Mdse. for family.....	550	00
			" Freight on ditto.....	27	50
			" Mdse. saved sound...	3,000	00
			" Freight on ditto.....	150	00
			" Depreciation.....	1,545	00
			" Discounts.....	231	00
			" Cash from dam. mds..	1,125	00
			" Balance.....	13,320	75
		<u>\$38,550</u>		<u>\$38,550</u>	<u>00</u>
To Balance Loss.....	13,220	75			

**FORM No. 6.**STATEMENT, LEDGER FORM, SEPARATE MERCHANDISE, FREIGHT AND  
FIRE LOSS ACCOUNT.

## MERCHANDISE in Account with Claimant.

Dr.		Cr.	
To Inventory.....	\$20,000 00	By Items not mdse.....	\$ 1,100 00
" Purchases.....	15,000 00	" Freight in Inv. ....	900 00
" Profit on sales.....	2,800 00	" Sales .....	16,800 00
		" Mdse., family use.....	550 00
		" Mdse. saved sound...	3,000 00
		" Depreciation.....	1,545 00
		" Discounts .....	231 75
		" Cash damaged stock.	1,125 00
		" Balance loss.....	12,548 25
	<hr/>		<hr/>
	\$37,800 00		\$37,800 00
To Balance Loss.....	12,548 25		

STATEMENT, FREIGHT ACCOUNT, LEDGER FORM.

FREIGHT in Account with Claimant.

Dr.			Cr.
To Inventory.....	\$ 900 00	By Sales.....	\$ 700 00
“ Purchases.....	750 00	“ Family use.....	27 50
		“ Saved sound.....	150 00
		“ Balance loss.....	772 50
	<u>\$1,650 00</u>		<u>\$1,650 00</u>
To Balance.....	772 50		

FIRE LOSS in Account with Claimant.

Dr.			Cr.
To Loss merchandise.....	\$12,548 25	By Balance .....	\$13,320 75
“ Loss Freight .....	772 50		
	<u>\$13,320 75</u>		<u>\$13,320 75</u>
To Balance Loss.....	13,320 75		

FORM No. 7.

STATEMENT, LEDGER FORM, SEPARATE MERCHANDISE, FREIGHT, DEPRECIATION, DISCOUNT, DEBRIS AND FIRE LOSS ACCOUNTS.

MERCHANDISE.

Dr.			Cr.
To Inventory.....	\$20,000 00	By Freight in inv.....	\$ 900 00
“ Purchases.....	15,000 00	“ Items in inv., not c'd.	1,100 00
“ Profits.....	2,800 00	“ Mdse. sold.....	16,800 00
		“ Mdse. taken for fam...	550 00
		“ Mdse saved unharm...	3,000 00
		“ Balance.....	15,450 00
	<u>\$37,800 00</u>		<u>\$37,800 00</u>
To Balance.....	15,450 00		

FREIGHT.

Dr.			Cr.
To Inventory.....	\$ 900 00	By Mdse. sold.....	\$ 700 00
“ Cash.....	750 00	“ Mdse. taken for fam...	27 50
		“ Mdse. saved.....	150 00
		“ Balance.....	772 50
	<u>\$ 1,650 00</u>		<u>\$1,650 00</u>
To Balance.....	772 50		



## DEPRECIATION.

Dr.		Cr.
To 10% on Mds. sold, sav.		By 10 % on mdse., \$33,000..
and tak. for fam. \$17,550	\$1,755 00	\$ 3,300 00
" Balance.....	1,545 00	
	<u>\$3,300 00</u>	<u>\$ 3,300 00</u>
		By Balance.....
		1,545 00

## DISCOUNT.

Dr.		Cr.
To $\frac{3}{4}$ of 2% on mdse. sold,		By $\frac{3}{4}$ of 2% on mdse., \$33,-
saved and taken for fam.,		000.....
\$17,550.....	\$263 25	\$495 00
" Balance .....	231 75	
	<u>\$495 00</u>	<u>\$495 00</u>
		By Balance.....
		231 75

## DAMAGED MERCHANDISE.

Dr.		Cr.
To Balance.....	\$1,125 00	By Cash.....
	<u>\$1,125 00</u>	\$1,125 00
		By Balance.....
		1,125 00

## FIRE LOSS.

Dr.		Cr.
To Mdse. balance.....	\$15,450 00	By Depn. balance.....
" Freight. ....	772 50	\$ 1,545 00
		" Discount.....
		231 75
		" Cash dam. mdse.....
		1,125 00
		" Balance loss.....
		13,320 75
	<u>\$16,222 50</u>	<u>\$16,222 50</u>
To Balance loss .....	<u>13,320 75</u>	

In all of these forms of statement, I use the various sums and percentages as determined and agreed upon in the problem set out in the Lowden form of Statement No. 1 (and I may say here that this paper is only a postscript to Mr. Lowden's valuable work on Book Losses), and which sums and percentages are as follows:

That the inventory is \$20,000, and contained \$1,100 on items not covered, and 5 per cent. freight on invoice cost.

The purchases were \$15,000 at invoice cost.

The freight on purchases was 5 per cent.

*ERRATUM*—The sixth paragraph on page 63, beginning line 7, should read :

The depreciation for shelf wear and out of fashion was 10 per cent. on invoice cost, or 9 11-21 per cent. on invoice cost and freight.



The cash and credit sales are \$16,800.

The profit is 20 per cent. on invoice.

The merchandise taken for family use is \$550 at invoice.

The merchandise saved unharmed (may have been in the cellar or warehouse) is \$3,000 at invoice.

The damaged stock (debris) was appraised at a cash value of \$1,125.

The depreciation for shelf wear and out of fashion was 10 per cent. on invoice cost.

The discount was 2 per cent. on  $\frac{3}{4}$  of the invoice cost.

Statement No. 1 is the Lowden problem adjusters' (Lowden) form, freight out.

No. 2 is same problem in same form, with freight in.

No. 3 is same problem in same form, with depreciation, discount and freight in.

No. 4 is same problem in journal form.

No. 5 is same problem in ledger form.

No. 6 is same problem, showing separate merchandise, freight and fire loss account.

No. 7 is same problem, showing separate accounts, with merchandise, freight, depreciation, discounts, damaged merchandise and fire loss accounts.

Of these various forms I prefer form 6, as that form balances the freight account, shows the claimant where the freight money went to, and prevents paying more for freight than the books call for; and as all of these forms give the same result as the original Lowden form, and as the amounts and percentages must be ascertained, adjusted and agreed upon by the insured and the adjuster, the form of statement that can be best explained to, and easiest understood by the claimant can be adopted.

Respectfully submitted,

WM. SEXTON.

Mr. Geo. D. Dornin—As we are through with half the printed programme, I think it would be well to adjourn until to-morrow morning at ten o'clock. I make that motion.

The President—The President had not thought of extending the programme beyond the paper now completed. It is only four o'clock. If the members desire to give fifteen minutes further time, I can submit one matter outside of the programme proper. It appears that within a few days the Fire Underwriters' Clerks' Association has submitted two problems with reference to the cancellation of re-insurance policies. Four different answers have been given by our members; and the young gentlemen, being uncertain which one



of the four is correct, have requested me to bring the problems before the entire Association. It will take but a moment to read them.

#### PROBLEM No. 1.

*Submitted by the Fire Underwriters' Clerks' Association.*

Company "A" issues its policy for \$1,000 at 6 per cent. for 1 year from January 1st, 1896—premium \$60.

On November 1st, 1896, Company "A" re-insures one-half of its policy pro rata with Company "B" for unexpired term, paying Company "B" a premium of \$5.

On November 6, 1896, Company "A" policy is cancelled short rate, and a return premium of \$3.00 paid the assured.

What is Company "B's" earned premium?

#### PROBLEM No. 2.

*Submitted by the Fire Underwriters' Clerks' Association.*

Company "A" issues its policy for \$1,000 at 6 per cent. for 1 year from January 1st, 1896—premium \$60.

On November 1st, 1896, Company "A" re-insures one-half of its policy pro rata with Company "B" for unexpired term, paying Company "B" a premium of \$5.

On December 1st, 1896, Company "A" policy is cancelled short rate, and a return premium of \$3 paid the assured.

What is Company "B's" earned premium.

I will endeavor to state the four answers briefly.

The first, which was concurred in by three of the seven members to whom the problem was submitted, was to the effect that the contracts of re-insurance were pro rata throughout in character; that upon cancellation, under problem 1, Company B, having written re-insurance for six days out of the term of 311 days represented by the original policy, was entitled to retain as earned premium one half of 6-311 of the earned premium on the re-insured policy; and that under problem 2, having written its policy for one month out of the eleven months covered by the original policy, was entitled to one-half of 1-11 of the earned premium on the re-insured policy.

The second opinion, which is concurred in by two of our number, disregards the wording of the clerks' request and deals with the return premium, stating that as the original company returns in each

case \$3 upon \$1,000, the re-insuring company will pay one-half of the \$3, or \$1.50, leaving an earned premium of \$3.50.

The third opinion is that of a leading manager on California street, to the effect that, legally, the second company is entitled to the short rate of the annual premium for the time its policy in each case has run, but that he believes the equitable way would be to pay the pro rata of the short rate return premium, which is a virtual endorsement of the second opinion.

The fourth opinion is very ingenious, and is given by an old member of this Association. He suggests that a fraction be taken of which the numerator is the short rate for the number of days the re-insuring policy actually runs, and the denominator is the short rate for the time it was written for.

To state this differently, he makes the numerator the short rate for six days, and the denominator the short rate for two months, the term of the policy. In the case he cites, this becomes one-third; so that he will allow the re-insuring company to retain one-third of the premium written upon its policy. In the second case he makes it two-thirds.

The clerks ask if we will recommend the adoption of a rule which can be concurred in by all, for the cancellation of a re-insurance policy written pro rata, where the original policy is canceled short rate.

Mr. Geo. D. Dornin—I suggest the propriety of having these problems printed and brought in to-morrow morning.

The President—Are we authorized to do that? I have no doubt it can be done.

On motion, duly seconded, the Secretary was instructed to print the problems.

The President appointed the following members as a Committee on the President's address:

C. Mason Kinne, Chairman; E. L. Thompson, V. C. Driffield, B. D. Smalley and R. P. Fabj.

Adjourned, on motion, until to-morrow at ten o'clock.

*SECOND DAY.*

Wednesday, February 17, 1897.

The Secretary read Mr. Arthur C. Donnell's paper on "Burglary Insurance."

**BURGLARY INSURANCE.**

The fin-de-siecle burglar, clever though he is, had better sell his tools for old metal and perceive the error of his ways, for he has at last encountered his Waterloo.

End of the century business enterprise will henceforth make his calling flat, stale and unprofitable. The gentleman of the mask and dark lantern will encounter new difficulties, not because of his old enemy the police, but because of a new adversary, personified in several insurance companies which have just sprung into existence for the sole purpose of protecting their patrons against robbery. These several companies have already secured legal license from the insurance departments of the various States.

These companies have recently established branch offices in nearly every city and are now guardians of many residences, stores, banks, safety deposit vaults and their contents, and innumerable articles of personal property throughout the land. They undertake to protect the policyholders from the raids of the burglar, and, failing in the effort, offer through their policies, sure insurance indemnity for burglar losses.

It is the purpose of the companies to direct a relentless pursuit of the burglar who invades the premises under its protection. In order to accomplish this, several of the companies have established detective bureaus, while one has made an arrangement with the Pinkerton people whereby their services may be instantly called into requisition. Through the same agency the heads of police departments in all cities and towns throughout the country are in almost instant communication with each and every patron of the company when occasion demands, thus spreading broadcast instant notice that a burglary has been committed, and putting all detectives and police officials on the alert.

Among the policies issued are what are known as the "Residence policy," the "Mercantile policy" and the "Bank policy."

The residence policy covers and insures the contents of a house entire, including money and personal effects, plate, bric-a-brac, paintings, musical instruments, furs and wearing apparel. The insurance not only applies to articles taken away by the burglars, but also to any damage they may do to windows, doors or furniture, and to any household effects not removed.

The mercantile policy insures against the loss of the contents of safes and vaults including negotiable securities, silks, velvets, gloves and almost every conceivable article which is stored in safety deposit vaults. It also covers the damage done to safes and vaults when the festive burglar has recourse to dynamite or any other explosive. It also covers stocks of merchandise, with the exception of goldsmiths' and jewelers', which are covered only in safes and vaults.

The bank policy is similar to the mercantile policy, and covers everything of value within the four walls of a bank.

For many years it was held to be impracticable to successfully apply the principles of insurance to burglary and theft. It was assumed that the facilities for fraud would be so great that the business could not be made to pay. This view was not without justification, but the sphere of observation was not sufficiently extended. The percentage of rogues is after all but a small one, and although this fraternity is ever on the alert for new fields and new opportunities, behind them there is the mass of the community, solid and honest, ready for any project, insurance or otherwise, which presents sufficient attractions and advantages.

The main question is, how to render this branch of the business as widely extended and as common as fire insurance. Burglary losses are necessarily limited in amount, but, in nine cases out of ten, the risk of theft is much greater than that of fire. To the ordinary householder this is emphatically the case, especially where residences are left entirely without occupant during the holiday season, a practice which of late has become general.

The greatest field for burglary business is undoubtedly to be found in the dwellings and mansions in the middle and upper classes, and whatever means are taken to make its scope and advantages known in these directions are sure to be followed by good results. The shopkeeping classes would come next, and here again, with proper safeguards, almost boundless field for enterprise exists. Warehouses and factories are not to be overlooked, but as a rule such premises do not contain that class of property which forms the staple of the burglar's prey.

It is not to be supposed that the companies engaged in this class of business are idle or apathetic. On the contrary the rapid development of burglary insurance is almost a phenomenon. Ten years ago it was practically unknown; now, every prudent man, who is acquainted with the system, has availed himself of it. But there is a great educational work yet to be done



The conception of fire insurance, life insurance, and now of accident insurance is familiar to all, but it will take a long time for the idea of burglary insurance to permeate the community. The multiplication of agency staffs, and the free and constant circulation of leaflets, brief, terse, to the point and not overcrowded with details, are some of the means by which the benefits of the system can be brought home to the public.

The companies engaged in this business have great faith in the future of this branch of insurance, and while satisfied with the progress and development so far, look forward to a time not far distant when to be uninsured against burglary will be regarded as equally improvident and unwise as to be uninsured against fire.

ARTHUR C. DONNELL.

The President—Mr. Donnell offered this paper with the idea that the information contained in it might be of interest to our members. Is there any desire to discuss or comment on any of its provisions?

We will now pass to the next number. "Some Mistakes in the Management of Fire Loss Adjustments," by W. L. Chalmers. Mr. Chalmers has been twice Vice-President of this Association, and once its President. In his absence Colonel Kinne will read.

Mr. C. Mason Kinne—I am glad to say I quite agree with all or nearly all the ideas that the writer of the paper conveys.

#### SOME MISTAKES IN THE MANAGEMENT OF FIRE LOSS ADJUSTMENTS.

*Mr. President and Gentlemen of the Fire Underwriters' Association of the Pacific:*

Having in an unguarded moment promised to furnish a paper for the Association, I redeem my promise to President Folger by calling your attention to what *I think* is a very important subject, and I trust that my motive for doing so may not be misunderstood.

An experience, extending over a great many years, has brought to my notice certain avoidable mistakes in the initial handling of fire loss adjustments. I had made a fair beginning on one of these mistakes, when, on taking up the January 10th number of the Pacific Underwriter, I found that the same subject had been very fully and most ably handled by Mr. C. H. Lermitt of the Northern Assurance Co., in a paper on the subject of adjustments, which was reproduced in that journal. I take pleasure in calling your attention to that paper—every word in it is true, and ought to carry conviction to the minds of all who read it. Mr. Lermitt calls attention to the immense sums continually being wasted by the practice in this

country of employing a large number of specials and adjusters on individual losses, thereby not only greatly increasing the adjusting expenses, but filling the minds of the claimants with suspicion and distrust! He instances several cases of this kind, and avers that had one professional adjuster been employed, as is the universal practice in the "Old Country," the result of the adjustment would have shown a saving of thousands of dollars to the companies interested, both in expense and amount of loss! Speaking from my own experience, I recall the adjustment of that celebrated case—well remembered by most of you—the Stockton Harvester loss. For all I know, that case is, like John Brown's soul, still marching on—in the courts. If I remember rightly, there were, in the first place, some eleven or twelve "specials," one "local" agent, and two professional adjusters engaged on that loss! What was the result? Differences of opinion as to how things ought to be done; a great deal of wrangling, and, as some of those engaged on the loss may remember, a very serious quarrel between two of the adjusters which nearly ended in bloodshed! Committees were appointed to wait on the claimants, who became so filled with distrust and annoyance, that the party representing the assured at one time declined to have any dealings with certain of the adjusters. But one by one the specials were called off to attend to other duties, and the work was finished, as far as it could be finished at that time, by the two professional adjusters and the local agent. That adjustment was a protracted one, and if all the specials, as I presume they did, put in bills for the time each of them was on the loss, the expense must have been immense. It is said somewhere in Holy Writ, that "In the multitude of counsel, there is wisdom;" so far, good; but there were no insurance companies in those days, so the text was not intended to apply to adjustments. I admit that in many cases two heads may be better than one, but in the adjustment of losses I think the familiar adage "Too many cooks spoil the broth" is much more applicable, and should not be lost sight of. I recall a case of recent date where there were six specials and two local agents engaged on the loss. These gentlemen had each his own ideas as to how the loss should be handled, and mystified and annoyed the assured by giving contrary instructions. They could not even agree on the same appraiser, some employing one man, and some another. Result—a total loss and big expense bill. Doubtless some now in the room can recall similar instances. Mr. Lermitt in his paper gives a history of cases much worse than the one cited by me. I recommend his paper to the careful consideration of all those who have not seen it.

Passing from this branch of my subject, I come to another avoidable mistake which is often made, and costs the companies much unnecessary expense. I well remember the time, not so very far back, when an adjuster was entrusted with the settlement of a loss; *he* was the one to decide whether an appraisal was necessary, and, if so, to select an appraiser—such a one as he might deem best qualified to appraise that particular kind of damage. Changed times now! The appraiser is sometimes

selected before the adjuster is chosen! Along comes a telegram, something like this: "You selected to adjust for all companies; Appraiser Blank starts to-night." But worse than this. I recall two instances where the appraisers were instructed to employ the adjuster, if they deemed it best to do so. They did deem it best to employ the adjuster; in one case, because the average clause happened to be in the policy, and the appraiser did not know how to apply it; and in the other case the managers changed their minds and instructed the adjuster to supervise the appraisal, which is what the adjuster should always do.

Now with all due respect to the "powers that be," such a course of action is all wrong. When an adjuster is selected to attend to the interests of the companies, it is to be presumed that he is considered competent to do so; therefore sufficient confidence ought to be placed in that adjuster to decide, first, if an appraisal is necessary; and then, if so, to select the appraiser best suited, in his opinion, for the particular kind of damage to be appraised. Am I right in this proposition? A few weeks since I had a talk with a leading San Francisco adjuster, who passed through Portland, on this very subject, and I was pleased to learn that he not only agreed with me on the matter now under review, but had lately so expressed himself to one of the managers, who assured him that in future he would not be hampered in his work by having an appraiser thrust upon him, who might not be able to do justice to the case. Let the fact not be overlooked that the adjuster is responsible for the final result of the adjustment.

One more example of the impropriety and folly of sending an appraiser before the adjusters are ready, and then I will leave this branch of my subject. Again calling your attention to the case already cited, where there were so many adjusters employed that they could not agree on the same appraiser, I remark that, before knowing whether an appraisal was necessary, a well-known and most competent expert was dispatched to the scene of the fire. On his arrival it was found that neither the adjusters nor the claimants were ready to go into an appraisal. Some of the specials declined to employ him, and did actually engage the services of another expert who happened to be on the ground. After waiting two or three weeks, this appraiser returned home. After a time he was again sent for. It was found that there was no possible show to make a salvage except on one item, on which there was something less than \$2,000 of insurance. It needed no expert to determine that fact. With the above-named exception, everything was a total wreck, and the values so much in excess of the insurance that it was unnecessary to waste any consideration or time on the matter. As already stated, the result was a total loss on the one item submitted to appraisal; not the fault of the appraiser by any means. The unnecessary expense incurred in this case was immense. The great mistake was in sending an appraiser before the adjusters were ready for him.

I now come to another avoidable mistake, or, I should rather say, bad practice, which often crops up. It sometimes happens that the majority of



the companies interested in a loss, place the adjustment in the hands of a professional adjuster; but the "Go It Alone Company" concludes to have its own special attend to its interests; that it has a perfect right to do. Speaking for myself, and I believe all professional adjusters will agree with me, I have not the slightest objections to have a special on a loss with me. If he is a young and inexperienced man, I take pleasure in giving him all the instruction and information I can, unless he is one of the kind who thinks he knows it all, and cannot be taught anything; and there are such. The point I desire to make is, that in such cases it is as much the duty of these specials, so employed, to remain on the ground during the entire adjustment, as it is the duty of the professional adjuster to do so. But how often do we find the reverse of this if an appraisement is gone into; as soon as a submission is signed, off goes Mr. Special to attend to other duties elsewhere leaving the independent adjuster to attend to the loss. Not only is this done, but the company so putting its special, (nominally,) on the loss and then withdrawing him, does not expect to pay any pro rata of the adjuster's bill, looking on it as a matter of business courtesy among adjusters. In plain terms, such company expects to have its loss adjusted at the expense of those employing the professional adjuster. Many of you can recall such instances. And right here I will add that, when an appraisement is gone into, it is a great mistake on the part of the adjusters to go off and take no interest whatever in the appraisement; the adjusters should remain on the ground, and, by their presence, give comfort and support to the appraiser. Knotty points often come up, which an appraiser is not qualified to decide. For some pertinent remarks on this subject, I refer you to the October, 1896, number of *The Coast Review*, page 449, under the heading "The Adjuster Should Remain on the Ground." In that article, the editor quotes from a paper which appeared lately in the *New York Review*, entitled: "*Keeping in Touch with the Appraisers.*" What that paper says on this subject is so good and true, that I venture to trespass on your time by quoting it at length:

"KEEPING IN TOUCH WITH APPRAISERS."

"It has become a custom with adjusters to leave the scene of a loss after papers have been signed for an appraisal, and the custom is one which is much deplored among underwriters. As a rule, where the circumstances are such that an adjustment cannot be arrived at between the adjuster and the assured, there is a greater necessity for care. Where the claim is on the building, it is almost generally the practice at present, to send the appraiser to the scene of the fire and await his figures, which quite naturally, in many cases, are very much larger than the adjusters had reason to believe they would be. Where the claim is on personal property or stocks of merchandise, the disposition to leave the appraisal without attention is not as general as it is in the case of buildings, but in such cases the result of the appraisal is often even more disappointing.



"The assured is in each case in close touch with his appraiser, and will be found, generally, looking closely after his own interests, while the company's appraiser is left on the scene of action, alone, without advice, and without an opportunity to consult regarding important points which are constantly raised in the course of the appraisal. It would be strange if in these important points the assured did not obtain a large advantage, which, of course, must be at the expense of the companies interested. Frequently while an appraisal is taking place, especially on a stock of merchandise, it is possible, when adjusters are at hand, to make a good settlement without prolonging the appraisal, and without detriment to the interest of the companies. There is no branch of the business that is more important than the adjustment of losses. This has to do with the chief outgo, and in the strictest sense, 'a dollar saved is a dollar earned.' Loose methods in the adjustment of losses should be so severely condemned by the under-writing fraternity, that their occurrence will be less frequent!"—The Review, New York.

Another avoidable mistake is the entrusting of the adjustment of losses to local agents. There are locals and locals. I know many of them who do not care to adjust even small losses. Others again cater for these adjustments. They make capital out of it. I mean by that, they make too liberal settlements, and thereby earn the good opinion and continued patronage of their clients at the expense of the companies. I quite agree with what Vice-President Osborn says on this subject in his able paper on "Partial Losses," read before the Association at the annual meeting of 1894—that paper hits the nail right on the head. These views are concurred in by other high authorities. At the same annual meeting, I find our old friend E. W. Carpenter, saying: "I don't believe in allowing local agents to adjust losses;" he at the same time gave good reasons for his belief. Colonel Kinne heartily agreed with him, and he remarked, "The *most* of us are of the same opinion." No, it is a big mistake to allow local agents to adjust losses. It is actually offering the agent an inducement to be dishonest. Do not lead your agents into temptation. A man cannot serve two masters. I do not hesitate to assert that the local agent who caters for adjustments will naturally favor his customer, as against his company. That is human nature.

So much for some of the initial mistakes in the management of fire loss adjustments. There are a great many more which I could expatiate on, but I fear I have taken up too much of your time already, and so pass to mistakes made after the adjustment has commenced.

There are two ways of getting at a loss—one is to adjust the loss, and the other is to jump at it. I am willing to admit that there are cases where it may be best to jump at a loss, for instance: A stock of hardware shelf goods which have been deluged with water, and are every moment becoming more and more damaged. In such a case I have considered it prudent to jump at a loss, instead of going into a minute examination of the stock or submitting the claim to appraisers. An appraisal of such

a stock would probably take days to finish, and meantime the damage is piling up day by day. But in other kinds of losses a close investigation is, in my opinion, proper and necessary. This is more especially the case where there may be some suspicious circumstances attending the claim; or perhaps a question of title may be involved. Then comes the question of increased expense, and the adjuster is hampered in his work by the thought that, when he sends in his bill, exception may be taken to the number of days charged for and other necessary expenses. And this, even if the result of the outlay is a large reduction in the sum originally claimed. I submit the question, whether it is better to expend, say \$100, and thereby effect a saving of say \$1,000 or over, than to aid the assured in getting ahead of the companies by hurrying the adjustment, at a small expense, but largely increased amount of claim. A conscientious adjuster will not expend a dollar unnecessarily, and, should the time taken up and the money expended result in no saving as to the amount of the loss, still I think his action should be commended. The amount of money lost to the companies by hasty and improper adjustments is immense. We all know that this is so, and still the practice is persisted in. One case in point, and I have done with this branch of my subject. Some few months since a professional adjuster was employed on a mercantile loss by two large English companies. On reaching the scene of the fire he found two specials hard at work on the loss for their companies, and was informed by them that the loss was a total one, and they intended to take proofs accordingly. They did so. Time occupied on the loss by them—one day. This was on a Saturday and they were most anxious to get home for Sunday. The professional on the following day (Sunday) started in on the adjustment, and by Monday night had completed his labors. His figures were \$820 less than the others had made of the loss, thereby making a salvage for the companies of something over \$300 under the insurance. This was effected at an expense of two days' time and the hotel bill. I understand that the other companies reaped the benefit of this work, without contributing anything towards the expense. Had these men taken time to look properly into this loss they would not have made the mistake of crediting the assured with a good many hundreds of dollars for purchases belonging to the previous year, and which had been included in the last inventory. The claimant admitted the error and accepted the figures as made by the adjuster. No doubt several now present can recall similar cases. So much for the evils of hurried adjustments.

But I have already taken up too much time in discussing the subject now under review. I could name many other avoidable mistakes in the management of fire loss adjustments, but refrain. I have directed your attention to a few of these mistakes, and, as stated in the beginning of my paper, I trust my motive for doing so may not be misunderstood. I am not tooting my own horn—and I have no axe to grind. Trusting you will give me credit for this, and thanking you for your kind attention, I leave the subject in the hands of the Association.

Portland, Or., Feb., 1897.

WM. L. CHALMERS.

The President—Mr. Chalmers has raised a number of points of interest, and I have understood that some of the members differed from him in his conclusions and opinions. Discussion is invited.

Mr. Frank J. Devlin—One part of Mr. Chalmers' paper I cannot help taking exception to, and that is his remarks in regard to the adjustment of a hardware loss. As Col. Kinne was reading, I looked at Mr. Sexton and he looked at me. We have just had a hardware loss together. Mr. Chalmers states that he thought in a hardware loss it was a very good plan to make a "jump adjustment." I think otherwise. A policy of insurance is a policy of indemnity, and I believe the assured is always entitled to his actual loss. Mr. Sexton went out the other day to look at the loss that we were on together, and the assured was very anxious that his loss should be settled. It was a straight loss. Mr. Sexton told the assured to clean up the place and he would come in again or send someone out, but the assured was quite anxious to settle; he said: "Give me something; I want to open up at once and sell these goods. I am willing to take whatever you think is right." Mr. Sexton thought, and justly, that this was not the correct way to settle the claim. So it was put into the hands of an adjuster, and the various articles were taken up separately. There was quite a stock, and while probably we could have settled the loss at a "jump adjustment" for \$1,000—(there was \$2,000 insurance)—the adjuster, after working some five or six days on the loss, and going through everything very carefully, found that the loss was total, and as to the insurance, more than total, and we were very glad to pay the assured a total loss, because we believed he was entitled to it. For that reason, I here take exception to Mr. Chalmers' statement, that a hardware loss is a good thing to arrive at by a "jump adjustment." It is a good thing if you want to make a salvage—if you want to pay the man less than his actual damage amounts to. I think that while it is a good thing to get at a hardware loss at once, I don't think it is the best thing in the world to say, "Here, we will compromise this matter, and pay you so much." That is only my individual opinion; I

don't know whether Mr. Sexton agrees with me or not. I know we agreed in the case mentioned, that it was better to go through the stock, and we were both satisfied that the man had a total loss under his policy.

Mr. Wm. Sexton—I will have to correct Mr. Devlin a little. The man was ready to settle; he was ready to be liberal and throw off something, but I could not get him to name how much he would throw off; I think he would have thrown off \$100 or \$150. We estimated the loss at about \$1,000, but I didn't tell him so. I said to him, as I did to Mr. Devlin, that it would not be fair to make a jump settlement, because it was a stock of hardware—house furnishing goods, tinware, cutlery, some jewelry—about a \$4,000 stock; and while I estimated the loss at about 50 per cent. of the insurance, the adjuster who went through the stock with the assured fixed the damages at about 50 per cent. of the value of the stock—there was \$4,500 worth of stock and \$2,000 insurance.

I fully agree with Mr. Devlin that the proper thing to do is to adjust the loss and settle it, leaving the question of the amount of the loss to be decided by the damage to the property, and I do not believe in jump adjustments. I think they are wrong to the assured and wrong to the company.

Mr. C. Mason Kinne—I think the phraseology, if carefully understood, will make it plain that Mr. Chalmers did not at all propose to jump at any adjustment for the purpose of robbing the insured, but that there were times when—and he instanced that class of losses, and there are others of a similar nature—where if the insured can have the opportunity to come to a settlement, jump it, after looking at it more or less in detail, enough to satisfy the adjuster what it would be fair for the company and for the insured to pay, without going into an appraisement, which will take days and days of time, and the damage will be constantly increasing. We all know that just as soon as the owner gets hold of his property, that property is put in a great deal better shape for him to handle, know-



ing the trade he is in—a great deal better shape than if you left it to be put in shape for an appraisement, telling him to do that which he is expected to do under the policy. You know that it is an every-day occurrence. As soon as he gets the property he goes to work and handles such portions of it as he knows are more salable, and he knows more about that than the insurance people. He knows better which to handle first, and he will set his men to work and touch the right spot; he won't touch any button that don't need pushing. Besides that, you will find that he goes on with his trade. The store is not shut up, and he then can do better; he is in a better frame of mind to make a reasonable compromise settlement and get all that he is entitled to—all that he thinks he is entitled to—and that is a satisfactory adjustment, much better than waiting to have the stock damaged by mildew, or by rust or decay of all sorts, depending upon the kind of stock. I don't believe in jumping at an adjustment for the purpose of taking advantage of the insured, and I don't think Mr. Chalmers intended that. I don't think the phraseology of the expression in that paper would lead to that idea, because he only says that sometimes it is well to do so, and instances that kind of a case. Having read the paper, I am not arguing any more in favor of the idea advanced by Mr. Chalmers because I read it than I would if I had listened to the reading of the paper by Mr. Chalmers himself.

Mr. F. G. Argall—I heartily agree with the gentleman who spoke before Colonel Kinne, for this reason: that either an adjustment is an adjustment or it is a jump settlement. The very essence of a jump settlement is a hit-or-miss proposition. That is to say, that while you may in a given case get at the facts, it is more by chance than anything else, because if it is not by chance it is not a jump settlement. When an assured makes a jump settlement of that kind, he may gain by it or lose by it, but in either case the effect is not, I think, what is intended in the insurance contract at all. If that man, two weeks afterwards, finds that he is two hundred dollars ahead, he has got two hundred dollars more than he should have

got. If, on the other hand, he finds that he is two hundred dollars behind, he feels that he has no redress, but we have not done what we should have done to him, and we have followed a penny-wise and pound-foolish policy. That man has a cause of dissatisfaction against the company, and it is going to stick to him and do harm. So that even practically I think we have wronged him, and theoretically it is also wrong, and I therefore believe in an adjustment that is an adjustment.

Mr. H. M. Grant—I would not judge from Mr. Chalmers' paper that he was in favor of jump adjustments, but in any event it seems to me that such cases as he mentions would be best left to the careful judgment of an experienced adjuster. One might think it should be attended to in one way and another in another. In the further review of Mr. Chalmers' paper it seems to me a good deal could be said. There are some things that I am in accord with and some that I would take exceptions to. He says something in respect to the adjuster formerly being supposed to be the one to select his own appraiser. That is all very well, and his acquaintance with appraisers and with cases would enable him to do so with good judgment, but I do not see wherein the adjuster ever becomes superior to the companies. On a special loss, for instance, where the companies might decide upon an appraiser whom they know—whom they would like to have associated in the case—and so notify the adjuster, it does not seem to me that the adjuster has any occasion to take exceptions. It might be premature to send the appraiser before the adjuster. It would be better to say to the adjuster, "When you want an appraiser, let us know, and we will send so-and-so." The companies have the right to select an appraiser whom they feel would give the case very careful attention, which they know from experience in former cases he would do.

Then, upon the point of several adjusters upon a loss. Everybody experiences the disadvantage of that, because many times there are too many. It is not that there is so much wisdom in counsel as there are sometimes too many to successfully work together. And

again, upon the point of companies sending their specials in the sense of interfering with the independent action of the adjuster. All that is to be deprecated. But I believe that every adjuster, whether the special agent leaves the loss or throws too much work upon him, has simply to keep in mind that he is adjusting the loss for the companies which employ him. If thereby some of his importance, his intelligence, his work, and all that sort of thing, is availed of by others who are not so competent and have not had the same experience, that is something that cannot be avoided. He is simply employed to adjust that loss; if for only one company, and there are a dozen others, he must remember that he is adjusting simply the loss of that company.

The point of placing adjustments in the hands of local agents, I think cannot be too strongly deprecated. There are local agents and local agents, as Mr. Chalmers says. Some are just as competent to handle a loss as any adjuster who professes to be an adjuster; but there are others who have had no experience. They might harm it. They might cause the company a loss. They cannot well serve two masters. They cannot serve their company so well in an adjustment as a special agent could or as an independent adjuster would.

I don't recall at this moment any further point in Mr. Chalmers' paper, which certainly very clearly set forth many defects in the management of adjustments, and some which I feel he has criticized rather unnecessarily, perhaps.

Mr. Calvert Meade—I do not believe Mr. Chalmers intended in his paper to convey the idea in any way that a jump settlement was wise until after he had gone over it thoroughly and knew in his own mind just about what that loss ought to be. Then he would entertain a compromise that was fair and equitable. There is a certain class of people we deal with here, that to arrive at an actual loss is almost an impossibility. I refer to the Chinese. They don't claim a loss on the goods that are lost or damaged; they claim a loss on their insurance; no matter what their insurance, they want a part

of that insurance or the whole of their insurance, and the stock don't enter into it.

Mr. V. C. Driffield—Generally the whole.

Mr. Meade—Correct. And very often in dealing with the Chinese, after you arrive in your mind by careful observation and examination what a loss should be, it is wiser to compromise or make a jump settlement with them. I have found it so in nearly every case.

Mr. D. B. Smalley—I know that Mr. Chalmers did not intend to convey to this Association the idea that jump settlements were the proper way to settle a loss. I am perfectly familiar with the reason why he put that in on hardware. I am familiar with the case. The loss was on a hardware stock: the fire had not got into the building at all: it was a brick building: there had been some frames burned and there had been some water in this particular building. The adjuster, who was Mr. Chalmers, with the assured went over the stock very carefully and asked him how much loss he supposed he had. He claimed a very large percentage of loss. I think his stock was about \$8,000, and his insurance \$6,000, and I think he had an idea that he had lost about \$5,500; it did not show; but he was very careful to pull down packages of knives and spoons with the sample on the outside, and say: "Look at that; it is all rusty: spoiled; I never can take it off." We took him out into the back room and showed him a lot of stoves all covered with rust. He said: "We never can clean that off in the world." He was asked if those stoves, when he received them on the train from the factory, were not all covered with rust. "Oh, yes, but not that kind of rust; there are two kinds of rust." Well, I was on that loss myself, and we made up our minds that the man wanted a very exorbitant claim and was going to make it; that he would get it at the end of an appraisal; and finally we got the man to say that if we would pay him so he could go to work right away, he would take \$1,000. I thought that was a proper thing to do. I thought that the companies could not get out with any less than \$1,000 besides entailing a



very large amount of expense, and it was finally settled with the man for \$1,000; in the course of two or three days after that I happened to be in that same place, and the man had his goods all in good condition, and where a would-be buyer said: "This is rusty," he answered: "Oh, no; you will find them rusty on every package; they are all rusty: that is only a sample." My experience is that if a man says he will settle a loss for \$1,000 after going through his stock and knowing what his stock is, he is not getting any the worst of it, for I never knew a man in my life to take less than his loss was, after he knew what it was. So I don't think he is hurt by a jump settlement of that kind.

Mr. F. G. Argall—It is clearly understood, of course, that an adjustment does not necessarily involve an appraisement.

Mr. A. R. Gunnison—I am very glad to see the old-timers come out on the subject of adjustments. This institution started twenty-one years ago to-day. I was one of the original members, although I did not happen to be present when it was born, but my name happened to go in, for I was in the car the night before when it was conceived. It was then an Adjuster's Association. It has been improved since that, wonderfully. We hear very little that is interesting to adjusters. We have had but two such papers this year so far, and those by Mr. Sexton and Mr. Chalmers—old-timers, and they have called out more discussion than anything else that has occurred, and it makes me feel young again to see them get up and talk on the subject.

As to jump adjustments, I don't believe in them at all. We may believe in compromises occasionally, when it is for the benefit of all parties. Without taking up too much time, I will refer to the case that Mr. Devlin states. Supposing that the insurance was \$1,000, and the man was willing, as he says, to compromise, and he would take off \$150, which, in the judgment of the adjusters, was believed to be fair and right. It would not be anything very wrong on either side. Now, then, they conclude not to do that, and they have an appraisal. Suppose that that appraisal had turned out

to be \$850 damage—exactly what he was willing to compromise for; has anything been gained on either side? Isn't a loss to both sides? You have both paid your appraisers; the assured has been eight or ten days out of the use of his stock, and he pays his appraiser, and hasn't there been a loss really to both sides? I don't believe in jump adjustments nor compromises as a rule, but there are times and occasions, as Mr. Chalmers says, when a compromise is a good thing for both sides, and I think it right and proper and just in every way that we do it. The assured would be satisfied with it. He was no better satisfied with a total loss, and having paid out \$200 for the time that he lost, and not having the goods, he was not any better satisfied with a total loss than he would have been with \$850. He was no better off, nor so well off, in fact; and that compromise was a good and reasonable thing and satisfactory to all sides. You put some confidence in your adjuster, or he isn't any account: his experience has not been worth anything to him unless he has some good judgment in the matter. If his judgment is good, he may compromise and settle. I believe it is right, anyhow.

Mr. Wm. Sexton—Mr. Gunnison's remarks take me back to a number of years ago when I was not as old as I am now, but when I knew a good deal more. I was poking down along the American river, forty years ago, and I came across another miner who was poking along, prospecting, and we went to where a man had found a claim paying him four or five dollars a day. We were telling each other, if we had only known of this place, and he made a pious remark that stuck to me ever since. He said, "If a man's foresight was as good as his hind-sight, he would know a damned sight." That applies to our business. If we knew, when we looked at this man's stock of hardware, that it was damaged \$1,900 and he would settle for \$1,850, we could afford to throw off that \$50, because it would be a profit to him and to us, and we could afford to settle; but when we look at a loss we cannot see clear through each package; and if we think it is damaged \$700, and he is perfectly willing to take the face of his policy, \$2,000 less \$50 or \$100, we don't agree. Then we have an appraisalment or examine the property in detail and

agree on the damages, and we find that we were wrong and that he was right, and we pay \$1,950 or \$2,000. We then have the satisfaction of knowing that we did right, and that is worth something; it is worth something to the office to know. But there is a great difference between "jump settlements," "detail settlements," and "estimate settlements." There is once in a while a class of goods, such as Mr. Smalley describes, that, if we look at a few packages and find a certain damage, we can estimate the loss with a decent claimant, and get at it very readily. Speaking of jump settlements, a jump settlement is bad, but frequently we can make an estimate settlement that will be profitable to both the claimant and the company. Of course we have to be very careful in doing it. I merely got up to tell my miner's story, because I think it applies.

Mr. Rolla V. Watt—Mr. Smalley, Mr. Gunnison, Col. Kinne and others have stated that Mr. Chalmers did not mean what most of the gentlemen understood him to say. I wanted to make sure of that myself. Mr. Chalmers says (reading): "There are two ways of getting at a loss—one is to adjust the loss and the other is to jump at it. I am willing to admit that there are cases where it may be best to jump at a loss; for instance, a stock of hardware, shelf goods which have been deluged with water and are every moment becoming more and more damaged. In such a case I have considered it prudent to jump at the loss instead of going into a minute examination of the stock or submitting the claim to appraisers." I just mentioned that because we ought to be very clear. Mr. Chalmers is an experienced and well-known adjuster, and he gives it as his deliberate opinion that there are times when it is prudent to jump at a loss rather than to adjust it.

Mr. C. Mason Kinne—I want to say one word further. Perhaps we have had talk enough to take up the time, but I want to insist upon it in the first place that my reading of that paper has brought me to believe that by "jump adjustment" the author means a proper compromise adjustment without going into a detailed examination of every article, the same as in an appraisalment, and it bears out in practical shape the remarks made in one of the papers read

here yesterday, where losses had been settled in a very short time, and settled satisfactorily to all concerned; and right in this room we have those who have been on committees that have settled losses in the last few months by jump adjustments: managers were members of the committee and made jump adjustments, and just settlements—jump settlements and just settlements at the same time. Raphael Bros. never went into an appraisement or detailed estimate; the paint and oil stock down town, and one or two others, were settled right off, and the gentlemen here are doing it every day. Mr. Chalmers has simply said, “Gentlemen, you are doing right.”

Mr. Frank J. Devlin—I began this matter, and apparently rather stirred up a hornet’s nest. I had no intention of doing so, and I hope Colonel Kinne will believe that I intended no reflection whatever upon Mr. Chalmers. It is merely as I understood the paper, and I should be sorry to have that paper go out. I have great respect for Mr. Chalmers, and I think the paper as it reads does not mean what Mr. Chalmers intends to say, and what he thinks and feels. I don’t care how many jump adjustments are made, two wrongs don’t make a right. If Raphael Bros.’ loss was adjusted by managers, that does not make it right. Managers are not always adjusters. I think the opinion is growing—it is growing in the East—as to detail adjustments. I know that a great many offices there won’t receive any adjustments unless they are gone into in detail. I think our business should be done in the right way, and the loss can generally be figured out so as to be just to the assured and to the company.

Mr. B. D. Smalley—I want to say, because I am familiar with the case Mr. Chalmers has written about, that it was settled just as I tell you, and he meant just what I said he meant. By Mr. Watt’s re-reading of the paper it is a little misleading, but Mr. Chalmers meant a compromise settlement. He did not mean to say that you should ask “How much do you want? I will give you \$500,” if he wants \$1,000; he meant if a man was perfectly well satisfied he got enough and we were satisfied he ought to have about that much.



Mr. Wm. Sexton—The Raphael adjustment—I don't want the managers to get too much credit—that adjustment was made by Mr. Wilson and Mr. Farnsworth. It was made in detail for the total loss. Two windows were burned out; smoke got into the store. The "total loss" was about \$2,000 on goods in the windows, totally destroyed. Then they had a complete inventory of goods on each floor. The firm kept its books so that they had the inventory every night, and they estimated the smoke damage, and some little water that got in there, by estimate on the amount of goods, and it was settled in that way. It was not what we would call a jump settlement, because each lot of goods was examined, and it was settled by regular adjusters.

Mr. C. Mason Kinne—That is what Mr. Chalmers means in his paper.

Mr. Geo. D. Dornin—Many years ago, almost as far back as my friend Gunnison quotes, I asked my chief at that time which of the many rules for the apportionment of a nonconcurrent policy was the best to adopt. There was the Finn rule, and the Albany, and the Troy, and several others, and he stopped for a moment, and then said, "Take the rule that will get your company out on the best possible terms." I believe that in the matter under discussion the best rule to adopt when you have a loss to consider, is the one by which you will get your company out on the most favorable terms. All our theorizing will not disturb the course of events. The word "jump" in this paper is not a happy word. All adjustments are matters of compromise, whether taken by wholesale, after looking through the stock, or in detail, piece by piece. A very efficient adjuster here, one of the first and best, always recognized as such, says, "By all means avoid going into an appraisalment until the last possible moment." We have conspicuous instances of the unwisdom of going into an appraisalment. Take the Bonner Mercantile Company; take it by contrast with the Moran case in Oakland and the Raphael case. So I come back to the original proposition that the best rule to adopt is to get your company out on the best possible terms. Make the claimant happy by allowing him to go on with his busi-

ness, and thereby saving a large portion of expenses of adjustment, which often subject the managers to criticism from the home office.

Mr. A. R. Gunnison—All adjustments are more or less a compromise; in fact, an adjustment made by appraisement is really a compromise settlement. The two appraisers represent the company and the assured, and they two go out together and take it by detail, but they compromise by detail on each one of the articles, and I have seen some compromises turn out in such a manner that it made me feel pretty bad for the company I was representing. I think I could have made a better compromise myself.

[The following extract from a letter addressed to a member of the Association by Mr. Chalmers explains itself and is given space in these proceedings as a matter of justice to the writer of the paper, he not being able to be present at the meeting: "Some discussion, I am told, followed my paper, and was on the subject of *jumping* at adjustments. I fear some of my friends misunderstood me as to this. I said, 'There are cases where it may be best to jump at a loss,' and I instanced shelf hardware goods. Now I did not mean by that, to go into a store, look round and say, 'How much is your loss?' and settle on such a basis; far from that. I will give you a case in point, and which I had in mind when I wrote my paper. Some years ago I had a loss on a hardware stock to settle in Woodland, Cal. Insurance \$6,000; value of stock \$10,000; claimants, first-class, honest men. I spent one day looking over the stock with them; everything was soaking wet, and I came to the conclusion that the sooner I could fix the amount of damage the better it would be for my companies. Claimants for obvious reasons were anxious to get possession of their stock in order to protect themselves, as they thought that unless the goods were at once handled the loss might exceed the amount of the insurance. I estimated the loss at 20 per cent. on the entire stock, say \$2,000. I informed them that I would be willing to entertain an offer of settlement from them. Now I would have rather paid them \$2,000 than have gone into an appraisement, which would have taken at least ten days, during which time the stock would have deteriorated

at least 50 per cent., making a loss of \$5,000. So I asked them to look through their stock carefully and let me know how much they would be willing to settle for. They did so, and some hours later they informed me that as they were most anxious to get possession of the stock to save all they could, if I could agree to allow them \$1,500 they would accept that amount. I was only too glad to at once close with them at that figure. Now that is just what I meant by jumping at a loss. Except in such cases, such a mode of settlement is not proper, and as far as I am concerned I never do so, preferring to have it said that Chalmers takes up too much time on a loss, feeling assured in my own mind that I never take a day longer than I conscientiously believe to be necessary.'']

The President—If you had only done as well yesterday in discussions as you have to-day, we could have had an evening session, and would have known what the out-of-town members were doing.

The gentleman who is to read the next paper needs no introduction, and I feel certain that the paper will show why the President requested it.

A paper on Statistics by W. H. Lowden.

#### A PAPER ON STATISTICS.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

In presenting to you the statistics of our business for the past 26 years, I will follow to some extent the plan adopted in 1888, when I had the honor of laying before you the results of the previous 17 years of Coast underwriting.

It will be impossible, however, to follow this plan very closely, as the changed conditions, especially during the years 1895 and 1896, have introduced new elements into the business which demand consideration on entirely new lines if our study of the facts is to be profitable.

Before taking up the tables and diagrams in detail, it is proper to call your attention to the fact, and to emphasize it, that the actual insurance loss in California fell from \$2,850,000 in 1895 to \$2,645,000 in 1896, and the Coast losses, which amounted to \$5,200,000 in 1894, fell to \$4,620,000 in 1895, and to \$4,250,000 in 1896. This was the lowest point reached in eight years, the average for that term being \$5,100,000 annually.

If this reduction in losses of over 18 per cent. in the past two years had not occurred, our diagrams, which look discouraging enough as they stand, would have looked so much worse that the most ardent advocate of the plan of "putting business on the books" might in all probability be ready to call a halt.

From this point of view it is to be regretted that losses did not keep up to their average in '95 and '96. If they had our loss ratio for the Coast instead of being 53.4 and 55.5 per cent. would have been about 60 and 67 per cent. respectively, and the termination of the rate war might have been looked for at an early date.

I do not consider it any part of my duty to account for this phenomenal reduction in the loss ratio, but a clear-headed underwriter with whom I was discussing the question recently, suggested that the commercial panic of 1893 and 1894 had reduced the moral hazard by enabling our friends whose only salvation is "a fire or a failure" to accept the latter horn of the dilemma. This would naturally clear the atmosphere and reduce the proportion of dishonest fires. Perhaps he was right. Who knows?

TABLE OF CALIFORNIA BUSINESS FROM 1871 to 1896.

Illustrated by diagrams, No. 1 and 4.

Year.	Amount Written.	Premiums.	Average Rate.	Losses.	Loss to Prems.
1871	\$ 185,218,963	\$ 1,994,522	1.08	\$ 1,201,612	60.2
1872	200,178,417	2,388,543	1.19	667,704	28.0
1873	184,545,576	2,926,632	1.58	777,718	26.7
1874	197,432,160	3,139,679	1.59	783,303	24.9
1875	221,653,672	3,493,381	1.58	987,966	28.3
1876	237,013,037	3,711,618	1.57	1,269,397	34.2
1877	256,893,278	3,933,920	1.53	1,219,900	31.0
1878	238,639,041	3,539,521	1.48	921,224	26.0
1879	228,964,659	3,433,004	1.50	1,110,344	32.4
1880	252,179,530	3,620,266	1.43	1,175,671	32.5
1881	261,342,913	3,812,436	1.46	1,268,914	33.3
1882	268,596,247	4,038,582	1.50	1,612,969	39.9
1883	278,872,257	4,191,821	1.50	1,639,818	39.1
1884	296,648,973	4,538,062	1.52	1,295,594	28.5
1885	282,301,595	4,540,883	1.60	2,033,257	44.8
1886	308,521,499	5,185,772	1.68	2,654,371	51.2
1887	327,910,952	5,590,354	1.71	2,101,483	37.6
1888	352,831,786	6,097,041	1.73	3,048,030	50.0
1889	352,179,523	6,158,754	1.75	2,572,002	41.7
1890	368,611,365	6,303,324	1.71	2,753,392	43.7



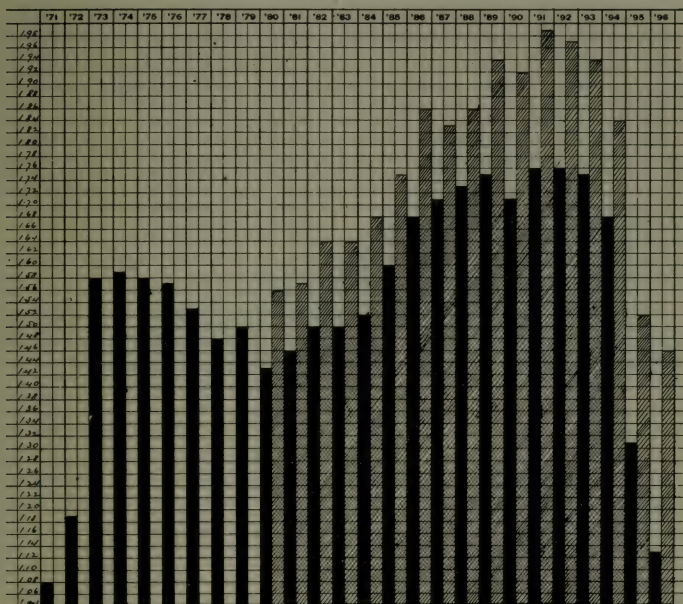
## TWENTY-FIRST ANNUAL MEETING.

<i>Year.</i>	<i>Amount Written.</i>	<i>Premiums.</i>	<i>Average Rate.</i>	<i>Losses.</i>	<i>Loss to Premiums.</i>
1891	\$ 378,529,166	\$ 6,669,998	1.76	\$ 2,408,156	36.1
1892	397,383,091	6,975,185	1.76	2,715,820	38.9
1893	388,435,963	6,782,158	1.75	2,668,721	39.4
1894	377,813,892	6,336,734	1.68	2,815,671	44.4
1895	358,739,159	4,704,584	1.31	2,850,672	60.6
1896	336,334,238	3,817,316	1.13	2,645,397	69.3
	<hr/> \$7,537,770,952	<hr/> \$117,924,090	<hr/> 1.56	<hr/> \$47,199,106	<hr/> 40.0

## TOTAL COAST BUSINESS FROM 1880 TO 1896.

Illustrated by Diagrams, No. 1 and 4.

<i>Year.</i>	<i>Amount Written.</i>	<i>Premiums.</i>	<i>Average Rate.</i>	<i>Losses.</i>	<i>Loss to Premiums.</i>
1880	\$ 298,154,691	\$ 4,655,172	1.56	\$1,673,344	35.7
1881	312,840,897	4,938,327	1.57	1,750,755	35.5
1882	337,002,517	5,534,519	1.64	2,719,938	49.1
1883	367,903,649	6,057,473	1.64	2,655,051	43.8
1884	377,208,984	6,373,976	1.68	2,351,787	36.9
1885	362,110,448	6,341,697	1.75	2,730,468	43.0
1886	388,963,118	7,144,565	1.86	3,646,627	51.0
1887	424,457,338	7,785,600	1.83	2,943,829	37.8
1888	459,272,074	8,557,922	1.86	3,989,480	46.6
1889	496,296,825	9,662,575	1.94	8,027,335	83.0
1890	543,974,567	10,471,838	1.92	4,429,862	42.3
1891	582,463,365	11,635,793	1.99	4,305,884	36.9
1892	612,981,652	12,146,568	1.97	5,348,282	44.1
1893	582,904,562	11,412,818	1.94	4,890,915	42.9
1894	568,492,813	10,474,257	1.84	5,198,227	49.7
1895	564,096,039	8,609,500	1.52	4,621,583	53.4
1896	522,814,910	7,656,237	1.46	4,250,388	55.5
	<hr/> \$7,801,938,449	<hr/> \$139,458,837	<hr/> 1.78	<hr/> \$65,533,755	<hr/> 47.0



No. 1. Average Rate. Black, California. Shaded, Coast.

The first diagram to which I desire to call your attention is the one showing fluctuations in rate on business in California from 1871 to 1896, and on the entire Coast business from 1880 to 1896.

In 1871 the rate obtained on California business was 1.08 on the amount written, but we have no data to inform us whether this was higher or lower than the previous years.

We know, however, that the Board of Fire Underwriters of San Francisco was formed in 1870, and that in the following year a break occurred and rates went to pieces. The *Coast Review* of that date speaks of the

situation in this strain: "We know of many instances where men have let their insurance out to the lowest bidder, and we have been astonished to see with what enthusiasm the agents of different companies would chalk down the low fractions of one per cent. at which they would carry the risk for so many years." This sounds very much like the editorial comments found in the insurance journals to-day.

In October, '71, the Chicago fire put a sudden stop to this foolishness, and although rates did not go up with a jump in '72, still we find a comfortable advance to 1.19. It was evidently slow work, however, and until the Boston fire occurred in November of that year it seemed to be only a half-hearted effort to bring rates to a paying basis.

This conflagration made itself felt at once, and the column, standing under 1873, shows how quickly rate wars can be terminated.

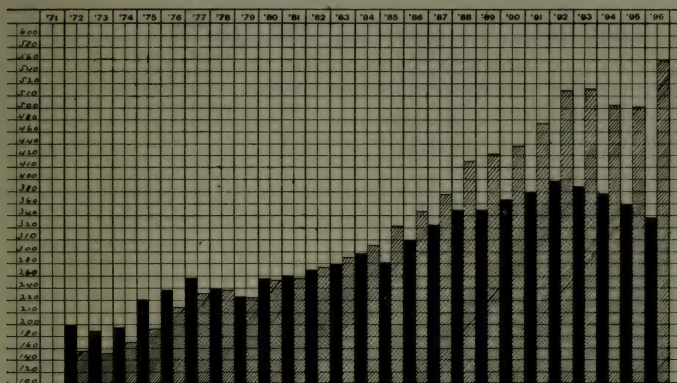
For the next four years rates remained quite steady. The highest point reached being 1.59 in 1874, and the lowest 1.57 in 1876. In this year there were 12 non-board companies operating in California, against 66 members of the board, and the next four years gave evidence of a conflict. When the average rate came down to 1.48 in '78 an effort was made to stop the fall and all the companies came into the board. This lasted for less than a year and rates reached their lowest point in eight years in 1880. In '81 the California Underwriters' Association (which was an offshoot of the big board, so called) was formed, and at the beginning of '82 thirty-seven companies were members of the organization. At this time the big board had 96 companies and there were 13 unattached.

The formation of the California Underwriters' Association seems to have helped matters a little, as the column rises in '82 to 1.50 and continues steady in the following year.

The Pacific Insurance Union was established in 1884, and the rate columns for the next ten years attest the value of that organization to the underwriting interests of the Coast.

It had its faults to be sure (that dear old P. I. U.) and its machinery ran a little hard at times, but was that a good and sufficient reason for destroying it? Perhaps it was, but I doubt it; and I think if you look at the rate column under the year '95 and the pitiful little block standing under '96, you will agree with me that the combined intelligence of the underwriters of the Pacific Coast should have found some way to correct the evils without destroying the business.

The Coast rates, including California (as shown by the shaded columns in the diagram) are throughout the period from 1880 to 1896 invariably in excess of the California figures. This is as it should be, since the loss ratio on the entire business during that time averaged 47 per cent., as compared with 42.8 on California business alone. In '95 we find a falling off in the rate to 1.52 and in '96 to 1.46, the average for the previous 15 years being 1.88, and while this is bad enough it would have been much worse if the outside territory had not held together as it did.



No. 2. California. Black, amount written. Shaded, amount in force.

While still on the question of rates it is well to consider whether the average of 1.13, small as it is, correctly represents the figure obtained by the companies on California business in 1896, and we will refer to Diagram No. 2 for that purpose.

Here we have a comparison of the amounts in force at the end of each year with the amount written during that year. In 1872 the amount written was two hundred millions of dollars in round figures, and the amount in force at the end of the year was one hundred and fifty-six millions. During the years '72 to '81 the amounts in force at the end of each year were uniformly less than the amounts written, showing, of course, a limited amount of long term business.

#### RISKS WRITTEN AND IN FORCE—CALIFORNIA BUSINESS FROM 1872 TO 1896.

Illustrated by Diagram No. 2.

Year.	Risks Written.	Risks in Force.	Year.	Risks Written.	Risks in Force.
1872	\$200,178,417	\$156,376,531	1885	\$282,301,595	\$322,201,875
1873	184,545,576	153,174,086	1886	308,521,499	347,055,792
1874	197,432,160	169,864,194	1887	327,910,952	376,911,287
1875	221,653,672	192,637,312	1888	352,831,786	416,770,780
1876	237,013,037	213,988,443	1889	352,179,523	422,673,226
1877	256,893,278	232,320,906	1890	368,611,365	437,101,547
1878	238,639,041	237,698,134	1891	378,529,166	473,761,432



<i>Year.</i>	<i>Risks Written.</i>	<i>Risks in Force.</i>	<i>Year.</i>	<i>Risks Written.</i>	<i>Risks in Force.</i>
1879	\$228,964,659	\$225,664,839	1892	\$397,383,091	\$515,553,846
1880	252,179,530	248,403,225	1893	388,435,963	518,297,355
1881	261,342,913	256,358,645	1894	377,813,892	503,678,847
1882	268,596,247	272,975,685	1895	358,739,159	501,837,870
1883	278,872,257	289,745,367	1896	336,334,238	559,132,407
1884	296,648,973	311,140,703			

In '82, however, the column representing the amount in force begins to show above the other and it maintains this position to the end.

The constant increase of the amount in force over amount written in the succeeding years down to 1896 shows that the companies manifested a growing desire to "discount the future" by writing long-term business freely, but this did not reach its climax until last year. In 1892 the amount in force was about one hundred and eighteen millions in excess of the writings, in '93 about one hundred and thirty millions, in '94 one hundred and twenty-six millions, in '95 it rose to one hundred and forty-three millions, but in '96 it reached two hundred and twenty-three millions. In that year the amount written in California was three hundred and thirty-six millions of dollars, and on this figure our average rate is based; but the amount in force was five hundred and fifty-nine millions, and this is the amount to be carried to expiration.

Is it not fair to assume that this five hundred and fifty-nine millions of dollars in force at the end of 1896 has quite as long an average time to run as the amount actually written during the year, and if so why should not the average rate be based on the amount in force? If this be admitted, what becomes of our respectable 1.13 rate? It dwindles at once to .67, which is about 40 per cent. of the average rate on California business for the past 26 years. Truly the harvest is ready for the reaper.

Various estimates have been made of the amount lost to companies in the past two years by the disruption of the Pacific Insurance Union, but all that I have seen are based on the actual reduction in the premium income. It is quite an easy matter to figure that the premiums in '95 were \$1,630,000 less than in '94, and that '96 showed a still further reduction of \$890,000. It is equally easy to ascertain that the entire Coast figures show a falling off in '95 of \$1,865,000, and in '96 of \$2,800,000 from the figures of '94, with no material reduction in the amount written; but this does not tell all the truth. If we desire to estimate correctly the loss caused by the break, we must take into consideration the increased liability assumed during the term, ascertain the amount lost by this increase, and add the result to the actual loss in premiums.

Let us do a little figuring.

The amount in force at the end of '95 exceeded the amount written by one hundred and forty-three millions, which was an increase in the rela-

tionship of the figures as they stood in '94 of seventeen millions. At the end of '96 we find amount in force exceeds amount written by two hundred and twenty-three millions, an increase over '95 of nearly eighty millions. As the average rate obtained on California business during the compact period was 1.70, we may tabulate the loss of premiums in the state as follows:

Amount written in 1895 . . . . .	\$358,739,159	at \$1.70	\$6,098,565
Abnormal increase in liability over 1894 . . . . .	17,233,757	at 1.70	292,973
Amount written in 1895 . . . . .	336,334,238	at 1.70	5,717,681
Abnormal increase in liability over 1895 . . . . .	79,699,458	at 1.70	1,354,890
			<hr/>
			\$13,464,109
Premiums received in 1895 . . . . .	\$4,704,584		
“ “ “ 1896 . . . . .	3,817,316		8,521,900
			<hr/>

Estimated loss on California premiums in '95 and '96 . . . . . \$4,942,209

As we have no figures showing amount in force at the end of each year in any of the other States, it is impossible to make a similar estimate on the outside territory; we can only take the actual amount written as shown by the returns, and on this basis, with an average rate of 2.35 (which was obtained in P. I. U. times) we have the following result:

Amount written in 1895 . . . . .	\$205,356,880	at \$2.35	\$4,825,884
“ “ “ 1896 . . . . .	186,480,672	at 2.35	4,382,294
			<hr/>
			\$9,208,178
Premiums received in 1895 . . . . .	\$3,904,916		
“ “ “ 1896 . . . . .	3,838,921		7,743,837
			<hr/>

Estimated loss in premiums outside of California . . . . . \$1,464,341

The sum of these estimates is \$6,406,550, and if our theory is correct the companies have suffered to this extent at least in the past two years.

Before finally leaving the subject of rates I will call your attention briefly to Diagram No. 3, which shows the fluctuations from '80 to '96 in the territory outside of California.

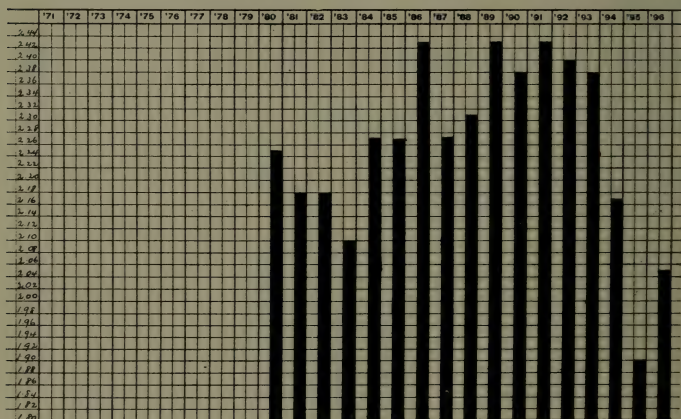
TABLE OF COAST BUSINESS OUTSIDE OF CALIFORNIA FROM 1880 TO 1896.

Illustrated by Diagrams, No. 3 and 6.

Year.	Amount Written.	Premiums.	Average Rate.	Losses.	Loss to Premiums
1880	\$ 45,975,161	\$1,034,906	2.25	\$ 497,673	48.1
1881	51,497,984	1,125,891	2.18	481,841	42.8
1882	68,406,270	1,495,937	2.18	1,106,969	74.0
1883	89,031,392	1,865,652	2.10	1,015,233	54.4
1884	80,560,011	1,835,914	2.27	1,056,193	57.6
1885	79,808,853	1,800,814	2.26	697,211	38.7

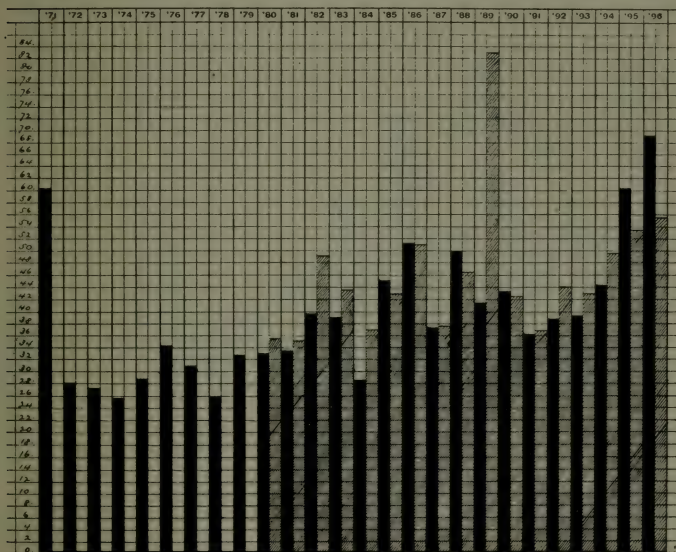
Year.	Amount Written.	Premiums.	Average Rate.	Losses.	Loss to Premiums
1886	\$ 80,441,619	\$ 1,958,793	2.43	\$ 992,266	50.7
1887	96,546,386	2,194,246	2.27	842,346	38.4
1888	106,440,288	2,460,881	2.31	941,450	38.2
1889	144,117,302	3,503,821	2.43	5,455,333	155.7
1890	175,363,202	4,168,514	2.38	1,676,470	40.2
1891	203,934,199	4,965,795	2.43	1,897,728	38.2
1892	215,598,561	5,171,383	2.40	2,632,462	50.9
1893	194,468,599	4,630,660	2.38	2,222,194	48.0
1894	190,678,921	4,137,523	2.17	2,382,556	57.6
1895	205,356,880	3,904,916	1.90	1,770,911	45.1
1896	186,480,672	3,838,921	2.05	1,604,991	41.8
	\$2,214,706,300	\$50,094,567	2.26	\$27,273,827	54.4

There is not much to be learned from this, as it follows in some degree the variations in the California tables, and I make it more with the object of preserving a record for future use than for any other purpose. It is interesting to note, however, the sudden drop in '94 from 2.38 to 2.17, and I am at a loss to account for this, unless it can be attributed to a decrease in the writing of special hazards in the Northwest. In '95, however, there is no mystery surrounding the descent to 1.90—the war was raging—nor is it difficult to account for the raise in '96 to 2.05—peace was partially restored.



No. 3. Average rate. Coast outside of California.

Diagram No. 4 is made to show the ratio of loss to premiums from '71 to '96, on California business, and from '80 to '96 for the entire Coast, including California.



No. 4. Loss to premiums. Black, California. Shaded, Coast.

In '71 the loss to premiums on California business stood at 60.2 per cent., and, as shown in our first diagram, we received that year only an average rate of 1.08, which was excuse enough for the high loss ratio. During the following 14 years, although rates were quite variable, as we have seen, the losses kept well under the 50 per cent. line, the average for the period mentioned being about 33 per cent. In 1886, however, the column rises to 51.2, in spite of the fact that rates had advanced to 1.68, which was the highest point reached in 16 years. In explanation of this I may state that we had the Bancroft, Tatum & Bowen and Brannan street fires in that year, which involved the companies in a heavy loss in San Francisco.

The year 1887 fell off to 37.6, while '88 rose again to 50 per cent., but from that time until '95 the California loss ratio was very satisfactory, the average being 40.6. We close the California record with a loss ratio of 60.6 in '95, and 69.3 in '96, and feel that no explanation is needed.



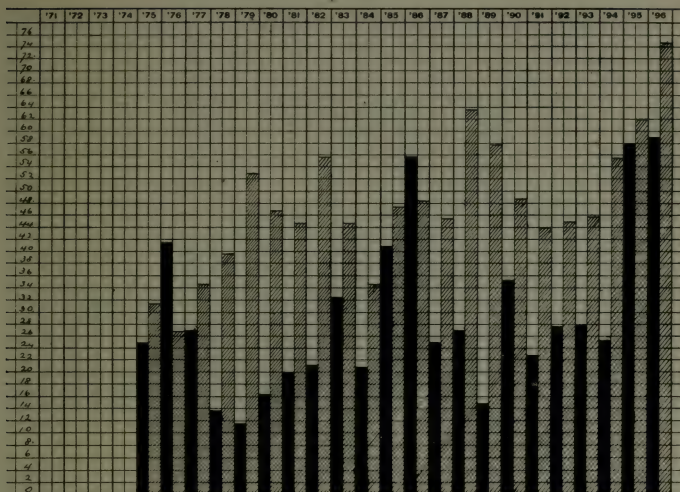
The Coast ratio (including California) is shown by the shaded columns, and from '80 until '95, with three unimportant exceptions, it exceeds the California figures. The column standing so prominently under '89 records the Seattle and Spokane conflagrations, which brought the loss to premiums in that year up to 83 per cent., the average for the fifteen years being nearly 46 per cent.

It is pleasant to note that in 1895 and 1896 the Coast columns stand lower than those of California. This condition was caused partly by the decrease in actual losses and partly by the fact that rates were better maintained in the outside districts, both of which circumstances have been previously referred to.

### SEGREGATION OF CALIFORNIA BUSINESS FROM 1875 TO 1896.

Illustrated by Diagram, No. 5.

<i>California Business outside of S. F.</i>				<i>San Francisco Business.</i>			
<i>Year.</i>	<i>Premiums.</i>	<i>Losses.</i>	<i>Loss Ratio</i>	<i>Premiums.</i>	<i>Losses.</i>	<i>Loss Ratio.</i>	
1875	\$ 1,819,730	\$ 571,822	31.4	\$ 1,673,651	\$ 416,144	24.9	
1876	1,891,794	514,366	27.2	1,819,824	755,031	41.5	
1877	2,066,083	715,577	34.6	1,867,837	504,323	27.0	
1878	1,773,962	698,787	39.4	1,765,559	222,437	12.6	
1879	1,747,346	915,388	52.4	1,685,658	194,956	11.6	
1880	1,924,729	899,914	46.8	1,695,537	275,757	16.3	
1881	2,047,859	917,365	44.8	1,764,577	351,549	19.9	
1882	2,188,152	1,218,291	55.7	1,850,430	394,678	21.3	
1883	2,254,359	1,009,865	44.8	1,937,462	629,953	32.5	
1884	2,547,983	878,925	34.5	1,990,079	416,669	20.9	
1885	2,584,851	1,229,306	47.6	1,956,032	803,951	41.1	
1886	3,121,588	1,503,845	48.2	2,064,184	1,150,526	55.7	
1887	3,386,608	1,548,252	45.7	2,203,746	553,231	25.1	
1888	3,802,190	2,424,988	63.8	2,294,851	623,042	27.1	
1889	3,827,026	2,216,510	57.9	2,331,728	355,492	15.2	
1890	3,863,383	1,887,633	48.8	2,439,941	865,759	35.5	
1891	4,188,095	1,840,174	44.0	2,481,903	567,982	22.8	
1892	4,526,537	2,035,759	44.9	2,448,648	680,061	27.7	
1893	4,345,677	1,989,871	45.8	2,436,481	678,850	27.8	
1894	4,017,041	2,227,813	55.4	2,319,693	587,858	25.3	
1895	3,060,664	1,896,926	62.0	1,643,920	953,746	58.0	
1896	2,555,718	1,901,727	74.4	1,261,598	743,670	58.9	
	<hr/> \$63,541,375	<hr/> \$31,043,104	<hr/> 48.8	<hr/> \$43,933,339	<hr/> \$12,725,665	<hr/> 28.9	



No. 5. Loss Ratio—California only.

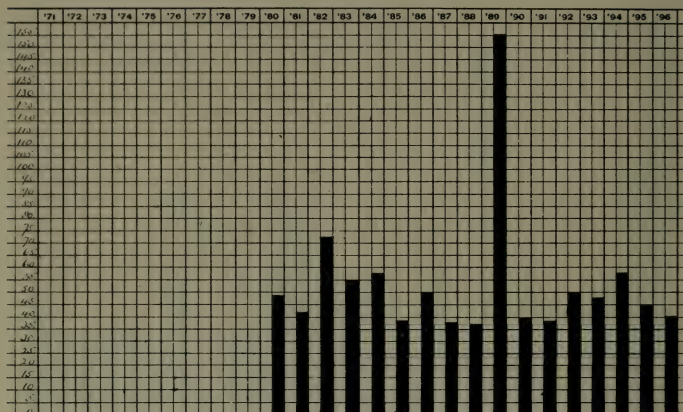
Black, San Francisco. Shaded, California outside of San Francisco.

Diagram No. 5 shows a division of the California business which is interesting, although I am afraid that the story it tells will not materially assist in restoring rates on San Francisco business. It is a matter of record, however, and the facts should be noted for our future guidance.

The black columns show the loss ratio on San Francisco business proper, and the shaded ones represent the loss ratio on California business outside the city. It will be observed that during the entire period of 22 years the outside ratio exceeds that of San Francisco, with the exception of '76 and '86, when the conflagration hazard asserted itself, as it does at times.

The average loss ratio on city business for 22 years was 28.9 per cent., and on California business outside of the city 48.8. These facts strengthen the conclusion reached nine years ago when I presented similar figures up to that date, namely, that San Francisco rates have been excessive in comparison with the rest of the State, and it is safe to conclude that unless this condition is changed when reorganization is effected, we may expect a repetition of our troubles arising from excessive compensation for the desirable business. If the loss ratio is to be equalized, throughout the State, San Francisco rates must be less and the outside districts more than those laid down in the tables of the P. I. U.

The last diagram bearing on the subject of loss to premiums is No. 6, and in this we have a record of the Coast losses outside of California.



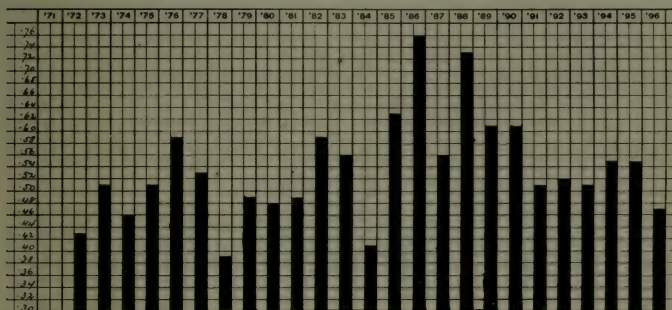
No. 6. Loss Ratio. Coast outside of California.

With the single exception of 1889 it does not present a very erratic appearance, although the ratio for the seventeen years is 54.4 per cent., which is certainly high enough to discourage us from seriously considering any reduction in our premium income from that territory. As the average rate of 2.26 for this period barely gave us a profit, what can we expect but loss from last year's rate of 2.05? I think you will agree with me that it is not wise to carry the war into this part of the Pacific Coast.

TABLE SHOWING AMOUNT IN FORCE AND LOSSES THEREON—CALIFORNIA BUSINESS FROM 1872 TO 1896.

Illustrated by Diagram, No. 7.

Year.	Amt. in Force.	Losses.	Ratio.	Year.	Amt. in Force.	Losses.	Ratio.
1872	\$156,376,531	\$ 667,704	.43	1885	\$322,201,875	\$2,033,257	.63
1873	153,174,086	777,718	.51	1886	347,055,792	2,654,371	.76
1874	169,864,194	783,303	.46	1887	376,911,287	2,101,483	.56
1875	192,637,312	987,966	.51	1888	416,770,780	3,048,030	.73
1876	213,988,443	1,269,397	.59	1889	422,673,226	2,572,002	.61
1877	232,320,906	1,219,900	.53	1890	437,101,547	2,753,392	.61
1878	237,698,134	.921,224	.39	1891	473,761,432	2,408,156	.51
1879	225,664,839	1,110,344	.49	1892	515,553,846	2,715,820	.52
1880	248,403,225	1,175,671	.48	1893	518,297,355	2,668,721	.51
1881	256,358,645	1,268,914	.49	1894	503,678,847	2,815,671	.55
1882	272,975,685	1,612,969	.59	1895	501,837,870	2,850,672	.55
1883	289,745,367	1,639,818	.56	1896	559,132,407	2,645,397	.47
1884	311,140,703	1,295,594	.41				



No. 7. Loss to Amount in Force.

Diagram No. 7 shows the fluctuations in loss to amount in force, or, in other words, the fire waste, from 1872 to 1896 inclusive, California business only.

In 1888 I made an attempt to account for the violent changes in this ratio from year to year, by instituting a comparison with the fluctuations in the price of wheat, and after looking over the figures made at that time I must say that the coincidence is remarkable. From 1872 to 1887, with two exceptions, which can be accounted for by large losses in San Francisco, the fire waste increased when wheat fell in price, and vice versa, and the conclusion was arrived at that an intimate connection existed between the value of our principal product and the frequency of our fires.

Since that time, however, the relation is not so well maintained, as wheat fell in price very steadily from \$1.52 in '87 to 87½ cents in '95, while the fire waste did not respond to the changes as quickly as in previous years. Perhaps this could be accounted for by the fact that in the past ten years the fruit industry has assumed a more prominent place in our State products, and the varying price of this article alternating with the value of wheat may have prevented the sudden changes in loss to amount at risk which is such a characteristic of the previous 16 years. At any rate, the variation has been very slight since 1891, and if it continues to be as steady in the future, our business will be relieved of one element of uncertainty.

The two columns in the diagram which stand prominently above the others are headed '86 and '88.

In '86 we have the three severe fires in San Francisco previously referred to, which raised the loss ratio on city business 14 per cent. above the average, and in '88 the general business in the State was exceptionally bad, the loss ratio reached 50 per cent. at a time when the average rate



was quite good, namely 1.73. With these exceptions the fire waste cannot be considered abnormal, the highest point reached being 63 cents on the hundred dollars.

Before concluding my subject I desire to call your attention to two diagrams illustrating the value of the Fire Patrol to our business (and incidentally to the property owners) in this city. This matter was referred to in my previous paper, and the figures were brought down to 1887 with satisfactory results. They are now extended to '96, and they continue to show that this institution is a paying investment.

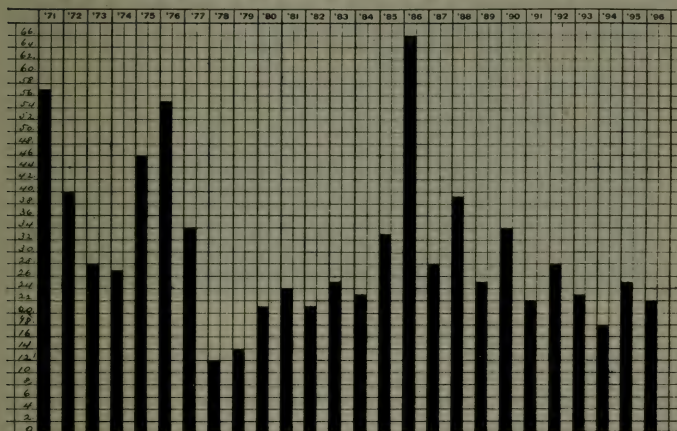
The first diagram (No. 8) shows the actual loss on property (insured or not insured) in proportion to the amount of insurance under fire for twenty-six years.

#### DIGEST OF SAN FRANCISCO LOSSES FROM 1871 TO 1896.

Illustrated by Diagram, No. 8 and 9.

Year.	Insurance under Fire.	Property Loss.	Per Cent.	Paid by Companies.	Per Cent.	Losses not Covered.	Per Cent.
1871	\$2,337,471	\$1,349,392	.57	\$ 695,466	.52	\$653,926	.48
1872	1,073,452	427,486	.40	194,985	.46	232,501	.54
1873	1,290,779	352,397	.28	255,453	.72	96,944	.28
1874	1,416,573	388,217	.27	253,531	.65	134,686	.35
1875	1,310,592	608,019	.46	416,144	.68	191,875	.32
1876	2,637,671	1,466,874	.55	755,031	.51	711,842	.49
1877	2,853,568	987,931	.34	504,323	.51	483,608	.49
1878	2,782,078	331,942	.12	222,437	.67	109,505	.33
1879	2,120,569	303,280	.14	194,956	.64	108,324	.36
1880	2,362,412	507,028	.21	275,757	.54	231,271	.46
1881	2,461,087	588,392	.24	351,549	.59	236,843	.41
1882	2,972,088	624,626	.21	394,678	.63	229,948	.37
1883	3,501,979	866,784	.25	629,953	.72	236,831	.28
1884	2,585,875	590,335	.23	416,669	.70	173,666	.30
1885	3,892,255	1,296,082	.33	803,951	.62	492,131	.38
1886	3,099,565	2,042,311	.66	1,150,526	.56	891,785	.44
1887	2,894,298	822,022	.28	553,231	.67	268,791	.33
1888	2,758,074	1,087,880	.39	623,042	.57	464,838	.43
1889	1,894,587	476,694	.25	355,492	.75	121,202	.25
1890	3,301,296	1,136,656	.34	865,759	.76	270,897	.24
1891	3,757,797	811,067	.22	567,982	.70	243,085	.30
1892	3,971,717	1,098,157	.28	680,061	.62	418,096	.38

Year.	Insurance under Fire.	Property Loss.	Per Cent.	Paid by Companies.	Per Cent.	Losses not Covered.	Per Cent.
1893	\$ 4,234,481	\$ 967,339	.23	\$ 678,850	.70	\$ 288,489	.30
1894	4,637,896	849,372	.18	587,858	.69	261,514	.31
1895	5,088,224	1,277,080	.25	953,746	.74	323,334	.26
1896	4,364,870	981,003	.22	743,670	.76	237,333	.24
	\$75,611,254	\$22,238,366	.29	\$14,125,100	.63	\$8,113,266	.37

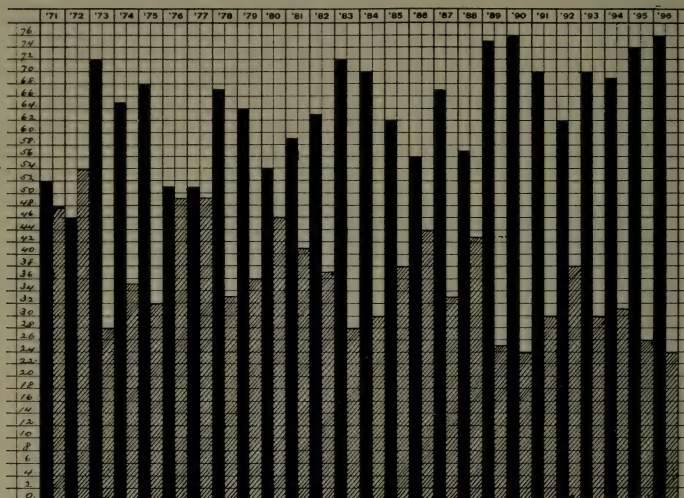


No. 8. San Francisco. Loss to Insurance Under Fire.

The Patrol was organized in 1874, and for the first two years does not seem to have been particularly successful in keeping the property loss down to a decent figure, but since 1877 the showing is admirable. For the first six years of the period covered by the diagram, the ratio of loss to insurance under fire was 45.6 per cent., while for the last twenty years the average has been 26.9 per cent., and this includes the disastrous conflagration of 1886, in which its services were of course much reduced in value.

I do not overlook the fact that during the past few years our fire fighting facilities have been greatly improved, and that under the direction of Chief Sullivan the Department has been brought to a satisfactory degree of proficiency, nevertheless, without the work of the Patrol the record would doubtless be materially different.

We cannot look at the abrupt rise and fall of the columns from '71 to '76 and compare this with the moderate changes of the subsequent years without acknowledging that some intelligent power must have controlled the results.



No. 9. San Francisco.

Black, Loss Paid by Companies.

Shaded, Loss to Property Owners.

Diagram No. 9 brings down to date the table showing a comparison of the loss sustained in San Francisco by the insurance companies and the property owners respectively. This comparison was made originally for the purpose of meeting the argument that the existence of the Fire Patrol had a tendency to reduce the amount of insurance carried by merchants and others who would likely be benefited by it. It was maintained with some show of reason, that the Patrol would be relied upon (after it had demonstrated its efficiency) to keep the loss down to a small proportion of the value of the property, and that property owners would take advantage of this and carry less insurance than business prudence would demand under other conditions. If this argument were well founded, we might expect as a consequence that in the years following the organization of the Patrol, the property owners would (because of the reduction in the insurance carried) suffer a larger proportion of the total loss than in previous years. Let us look at the facts.

In 1871, the companies paid 52 per cent. of the losses on San Francisco property, and the property owners sustained the remaining 48 per cent. In 1872, the companies paid 46 per cent., and the owners suffered to the extent of 54 per cent. This evidence of insufficient insurance protection occurred before the organization of the Patrol, as that was not accomplished until 1874. In 1873, the property owners evidently realized the situation

and spent their money more freely for insurance premiums, as in that year the companies paid 72 per cent. of the losses, leaving only 28 per cent. unprotected.

In '74 and '75, the conditions remained about the same, but in '76 and '77, the diagram shows that the property owners' loss again advanced to a point where inadequate protection is apparent, and this it is reasonable to suppose, was actually caused by the fact that the Fire Patrol was in good working order, and that the shrewd merchant was taking advantage of it.

This state of affairs did not continue for any length of time, however, as we find in '78 that the companies' column stands at 67 per cent., while the property owners suffer only 33 per cent. of the losses occurring in that year. A glance at the diagram showing the proportions in the following years down to '96 is, I think, conclusive evidence that the average property owner of San Francisco is not relying upon the Fire Patrol to any great extent, but that he is, to-day, protecting himself by insurance quite as fully as he did before it was established.

In this business of ours (perhaps more than in any other) future actions must be guided and controlled by past experience, and if the tables and diagrams I have presented for consideration will prove to be a "light to the feet and a lamp to the path" of the underwriters of the Pacific Coast, I will feel well pleased with the result of the labor spent in compiling them.

W. H. LOWDEN.

Mr. Lowden stated, during the reading of his paper: I made no attempt to make any conclusions from the diagrams I present to you. I will leave that to the good judgment of the gentlemen present.

Mr. W. L. Gazzam—I rise to ask if in addition to the publication of our regular proceedings it would not be well to have that pamphlet printed at the expense of the Association. I think it would do us all a great deal of good. I make that motion.

The motion was seconded and carried, and the paper ordered printed as a separate pamphlet, together with the tables.

Mr. Geo. D. Dornin—I should like to add that a special copy should be sent to the home offices of companies.

Mr. W. H. Lowden—One thing I would like to have the members consider, as much for their own benefit as for the purpose of preventing any error in statement going out from this organization, and that is the manner in which I estimate the loss in premium income on California business. I have spoken to several of my friends



on the subject, and they seem to think it is right. But whether we should charge to the loss in premium income an average rate of 1.70 on the abnormal increase on the relationship of the figures in 1894 as we found them in 1895 and '96, is still a little doubtful in my mind; I am not quite clear on it, and if some good calculator will give it a little thought, perhaps it may be necessary to correct the estimate in some manner. I have not been able to discover any other solution of the problem than the one I have presented, but it is an important thing that no error should go out. If these estimates go East and some of the statisticians there come back at us saying that we are all wrong, we would not feel good.

The President—I should not feel free to discuss this question without thought, but it appears to me that the extra business, the excess of business in force in the later years, must largely be term business, and that the average rate on term business taken alone is much more than 1.70; therefore, that if these figures are incorrect they are too low rather than too high.

Mr. Rolla V. Watt—For my own information, a few days ago, I had some figures made up, which, as far as they are placed in exact comparison with Mr. Lowden's, are cent to cent like his. It ought to be remembered that the Pacific Coast as a whole is undergoing constant change and improvement; that the larger towns, particularly, and also somewhat in the smaller towns, the fire departments and water supplies are being improved and increased, and the construction is very much superior to what it was ten years ago, through the kind contributions of the insurance fraternity after property had been destroyed, and that the average rate therefore has undergone a small decrease each year. Under normal conditions it would have been the same. My young man, who is quite given to figures, says the normal average decrease is 3c. a year in California and  $4\frac{1}{2}$ c. outside; that it has been so for some years past, and that would amount in five years, for instance, to 15c. natural decrease. The average rate for California business in the last four years was 1.73, and on the Coast 1.94.

The President—Do you include 1896 in those four years?

Mr. Watt—No; I meant the four years, 1891, '92, '93 and '94. For the four years inclusive, 1891 to 1894, it was 1.73 for California and 1.94, Pacific Coast. The amount written in 1896, if multiplied by the average normal rate, would have yielded in California \$5,796,535, while at the average rate of 1.13 we would receive \$3,800,524; so that the exact decrease in premium income over what we probably would have had under normal conditions was \$1,996,011 in California. Taking the same method of arriving at the premiums we should have received on the total Coast, the decrease in premium receipts was \$2,486,372. I have been trying to find where the shrinkage of half a million dollars outside of California comes in, since the rates have been fixed pretty generally throughout the entire Pacific Coast during the past year, and I am unable to discover where the difference is.

The President—The members of the Clerks' Association were invited to write papers for us. Three papers have been received, which I have read and handed to other gentlemen for their opinions. We consider two of them meritorious and are unwilling to throw out either one; and if a motion be made, the committee in charge will be authorized to print the papers prepared by Thomas D. Boardman of the Ætna office, and by Arthur C. Thornton of the Fireman's Fund office.

Mr. Devlin will read one of the papers now.

Frank J. Devlin reads paper by Thomas D. Boardman, entitled 'A Few Familiar Faulty Forms.'

#### A FEW FAMILIAR FAULTY FORMS.

The subject of good and bad policy forms has received so much attention at Association meetings, that it was with some hesitation that I determined to write on the question. Being a matter of vital importance, however, one can not but wonder at the apparent lack of interest it calls forth at other times than underwriter's assemblies. Insufficient attention is paid to the instruction of agents and clerks whose duty it is to draft

policy and endorsement forms. A course of systematic teaching by special agents during their visits, and by head offices in their correspondence with locals, would probably go far toward working a much needed reform in a matter which is relegated to oblivion by the more important topic of getting risks. This is especially true during the present demoralization of the business.

The subject in hand is one of such magnitude that the whole ground can not possibly be covered in a short paper, and, without the hope of advancing any new ideas, it is the intention to refer briefly to only a few of the more common errors.

There are two doctrines of law that have been frequently advanced by the courts, that have a decided bearing on the question under discussion: First, that where any ambiguity in wording exists, the company being the party that drafted the contract, is responsible, and the assured shall be given the benefit of the doubt. In other words, if there is any reason for the interpretation put upon the contract by the assured, such will generally be the construction of the court, no matter what may have been the understanding or intention of the company.

The second doctrine is that the written part of the policy being subsequent to the printed portion, supersedes the latter, where there is any conflict; and the written portion of course would include printed slips and mortgage clauses attached to the policy. The conflict need not be actually expressed but may be merely implied. For example, a policy covering a drug stock may contain a printed condition prohibiting the keeping of some inflammable or explosive chemical. If it can be shown to be customary to include such substance in drug stocks, the company is expected to be cognizant of the fact; and has in similar cases been held to have given or implied its consent. If it is desired to enforce the printed conditions there must be nothing in the written portion that can be held to conflict therewith.

The mortgage clause has often been made to override the printed conditions. The innumerable defects in these clauses would fill a large chapter in a discussion of forms, and it is not the intention to examine them in this paper. There is, however, one bad feature which should be mentioned because it is very common also in loss payable clauses; reference is made to the phrase "as his interest may appear." How few agents have been taught the possible results of these words so continually used! They have not only forced a company to become a party to a dispute to determine the amount due the mortgagee by the owner; they have also been held, by a decision of the N. Y. supreme court to cover the payee's interest, other than as mortgagee; for example as owner, after foreclosure proceedings or purchase. This latter difficulty would be obviated by using the expression "as his *mortgagee* interest may appear."

Carelessness is often met with in expressing the nature and extent of the assured's interest in the property covered. For instance, a policy reading "on his frame dwelling," and failing to state that the assured is not sole owner of the property, is void.

The "commission clause" is sometimes found altered so that the last words read "or sold but not removed." This is an undesirable form, as it includes under the protection of the policy, goods which it was not the intention of the company to cover; goods sold, paid for and left by the purchaser for an indefinite period, and perhaps subsequently sold to other parties. The word "delivered" is preferable because it limits the covering to goods not technically delivered, and therefore still the property of the assured.

Many policies are issued which do not specify the occupancies to be permitted in the building insured: "\$2,000 on his frame building situate," etc., will not prevent the installation therein of a full fledged theatre with scenery. It is not sufficient to say, "On frame building occupied as a dwelling." This has been held to be a warranty only that the building was occupied as such at the time of making the contract, not that it will continue to be occupied for that purpose only, during life of the policy. "While occupied" should be the language used, or better still "only while occupied."

For the same reason "wearing apparel contained in the frame dwelling," has been held to be merely descriptive of its usual location, and a sealskin so described was held to be covered while at a fur store for repairs. "While contained" or "only while contained" should be used.

Many contests arise as to what is and what is not covered under the policy. These questions might often be avoided, and generally are the outcome of some word or expression not sufficiently definite or specific in its application. An effort should be made to as nearly as possible mention each article or class of property which it is desired to protect, to make insurance as much as possible specific. "Household goods" and "personal effects" are too indefinite. "Etcetera" and "and so forth" should never be permitted in an insurance policy, being far too comprehensive. "On his stock of watches, jewelry, etc.," was held to cover not only all the articles in the stock, but also tools, implements and fixtures. The two expressions, "contents," and "stock in trade," should never be used unless followed by the words "consisting of." "Stock in trade" was held to cover not only a baker's implements and tools, but also his horse and cart; and the same expression was made to include a furniture dealer's supply of oils and varnishes.

Care should be exercised where a building is the subject of insurance to so word the policy that nothing but that building can be included.

Such words as "mill," "factory" and "store" have been made to include a group of buildings used for a common purpose. And likewise a policy covering chair stock in a chair factory was construed to cover same stock in the drying room which was in the engine building. The same words "mill" and "factory" have been made to cover on fixtures and machinery because they are essential parts of a mill or factory. Can we not expect to hear of a decision which will interpret "On his two story frame dwelling" to include such furniture as is essentially necessary to



make a complete dwelling place? Such language should be used as the following: "brick *building* used as a factory" or "*mill building*" or "*dwelling house*."

Much looseness is common in wording warranties on the part of the insured. These should be definite and positive, and should include a penalty for violation. How very familiar is this form, "occupied on second floor as a hall (no scenery) situate," etc. This is a mere description, a representation on the part of the assured as to its present use, but is no warranty. It should be worded as follows: "Warranted by the assured that no scenery shall be taken into the building insured, otherwise this policy shall cease and determine."

The same care should be exercised in the wording of endorsements as of the policy itself. They make new contracts and should be so expressed as to leave no room for doubt as to how the policy covers in its amended form. When a policy "is changed to read and cover as follows," the portion which is amended should not alone be given, but the full body of the policy, including permits and warranties, and there should be added the expression "and it ceases to cover as formerly written."

A common error in making partial cancellations, is in using such language as "leaving —— dollars in force on building, and —— dollars on contents." This may be held to cover any building and any contents.

Many other common errors could be mentioned did time permit, but it is unnecessary; all observers are familiar with them, and they are to be expected from the fact that the policies are issued by agents who can not be familiar with the legal interpretation that may be placed on their words. That these faulty forms are allowed to stand without even a protest, however, is certainly a matter to be wondered at.

THOS. D. BOARDMAN.

Mr. John T. Fogarty introduces to the Association Mr. Chas. R. Gilbert, manager of the Montana State Board.

On motion an adjournment was here taken until 2 o'clock.

*Afternoon Session.*

The President—I will ask Mr. Smalley to read the paper prepared by Mr. Arthur C. Thornton.

OFFICE SYSTEM.

One of the most important things in the inside business of an insurance office is the manner in which the daily business is put through the books, commonly known as the "System." This subject, while one that will bear a great deal of study, is probably one that is studied the least. Field work, inspections, physical and moral hazard and various clauses have all received their share of discussion, but the important subject of office system—how the mass of business can be digested in the easiest, best and cheapest method, is one that has had but little attention.

There are hardly two offices in San Francisco that have the same system, and nearly every manager is convinced that his particular method is better than any other.

Let us take, first—

**DAILY REPORTS.** A daily report has to go in a well regulated office, to from six to eight hands, from the time it arrives until it reaches its final resting place in the files.

Then there are the endorsements, cancellations, and a thousand and one communications (necessary and otherwise) that have to be handled and carefully read by the proper parties. Each letter, endorsement, etc., bears a close relationship to some risk, the daily report of which is already in the office, and which has to be found, together with all previous endorsements and memorandums, in order that the examiner may have a proper understanding of the conditions of the risk at the time.

The vital point in office work is promptness—daily reports of the morning's mail should be put through every desk and rest in the files before the office closes that night—except the daily reports which have to be reinsured, and those should be attended to the following day and filed. This does away with a great deal of trouble and annoyance, as a daily report is nearly certain to be found in the files when wanted.

There are several methods of filing daily reports—one is filing loose in boxes by agencies, another filing by agencies in gummed stub files, and still another, filing in gummed stub files irrespective of agencies. Which method is best depends on how much business an office does or the number of agencies it carries.

For an office doing a large volume of business, the first system—filing loose by agencies—is undoubtedly the best, as, doing a heavy business, an immense amount of cancellation endorsements, etc., would naturally follow, and it facilitates the work greatly to be able to handle each daily report

individually. This method, however, necessitates great care and promptness on the part of the clerks. A daily report cannot be taken from the files and kept on desks and in drawers until the cancellation clerk can find time to give it attention. He should take it from the file, cancel it, or paste on an endorsement and *put it back*, so it can be found in its proper place when wanted.

There are some faults to be found with this system, however, in spite of its convenience. A daily will get lost or filed out of place, no matter how much care is exercised, and then probably an hour is spent on a "still" hunt for it, and if not found the local agent will have to be bothered for a duplicate.

The other method, that of filing in stub files, has one great crowning advantage—when a daily is once filed, it is always in its place. It is a great deal easier to find a couple of hundred reports, bound together, than to find one; although whole files have been known to mysteriously disappear from an office, and to reappear after a day or so quite as mysteriously. Each report should be given an "office" or "order" number, and in looking up one, a clerk has to carry the policy number in his head, then get the corresponding "order" number before the daily can be found. Another disadvantage is the fact that when one daily is wanted, a whole book, holding two or three hundred, must be used, to the inconvenience of some other clerk who wishes to use it.

In handling large numbers of cancellations, endorsements, or other matter, aside from the fact that reports are sure to be found, the system is bulky and inconvenient for large offices.

**ENDORSEMENTS.** Too much importance cannot be attached to the examination of endorsements. The little slips of paper, so innocent looking, may change a whole policy. They should be put through the books as soon as possible. Those with additional or return premiums should be separated from the others and reported to the bookkeeper at once. Plain assignments, after entering through the block and expiration books, may be attached to the dailies without delay. Changes of form, transfer and endorsements upon which reinsurance must be reported as a matter of course, take some time for examination, revision of lines, etc.; but all endorsements should be moved along with expedition, and attached to their respective daily reports, so that, should another change follow within a short space of time, the complete record of the risk in question may be before the examiner.

**CANCELLATIONS.** One of the first things to be done with a canceled policy is to mark it off on the daily report and the "policy tracer." Then the return premium must be figured or checked and passed to the book-keeping department, after which the entry is erased from the maps, block books and expiration registers. A very good method of facilitating the handling of cancellations is to attach to the face of each canceled policy a slip containing all the necessary information in a concise form, such as: date of expiration, date of cancellation, amount, premium, return premium.

whether short rate or pro rata, and if pro rata, why, name of agent and any other information that may be added to suit the requirements of an office. This does away with opening up a policy every time such information is wanted.

COMMUNICATIONS. A great deal of unnecessary letter writing is done in many offices on account of agents failing to answer letters properly. There is no remedy for this, however.

When a letter is written concerning a policy, the daily report of which is held in the "suspense" or "open file," carbon copies of the letter may be taken, and attached to the daily, in addition to taking the regular press copy in the letter book.

If the matter should have to be looked up at any time, the whole transaction may be before the examiner, including his communications, thus doing away with having to refer to the press copies. It has been held by some offices that doing away with press copying of the letters entirely, and taking carbon copies, to be bound in book form, is the best. Other offices adopt the method of attaching carbon copies of every letter written, to the matter it refers to, and keeping no press copy. It has been found by experience, however, that where a heavy business is handled, the less intricate the system is made, the more convenient it is, and the good old way of taking a press copy of letters is the simplest and best.

The subject of "office system" is one that will bear any amount of discussion, and I have taken only two or three subjects and touched upon them lightly. A small sized book might be written if one cared to go deeply into the subject and compare foreign and American methods, card vs. book system, improved block books, expiration registers, special hazard records, new policies, method of filing applications and surveys, shipping of supplies, and many other details that, for lack of time and for fear of encroaching upon the time of others, I cannot consider in this paper. Summing up the whole matter, will say that a good office system goes hand in hand with prompt work. Get your daily reports and other business through and in their proper places as soon as possible, consistent with care; the office system will take care of itself in nine cases out of ten.

ARTHUR C. THORNTON.

Mr. C. Mason Kinne—Did I understand that these papers had been passed upon by yourself?

The President—With the assistance of others.

Mr. Kinne—And they decided to have them printed?

The President—We thought one of the papers evinced the most originality in the selection of a subject, and the other the best abil-



ity in writing. We were unwilling to exclude either one. We should be glad to hear the opinion of any one present.

Mr. Kinne—My idea is that if we offer the Clerks' Association an opportunity to have a paper, it should be handed to the Executive Committee, or to the Association, although the quiet act of the committee is much better than going before the Association. But in this case I consider the last paper read much the better of the two which have come from the Clerks' Association. The other paper dealt in matters that we are all familiar with, and it would hardly be in accord with the principles of a Clerks' Association, because they don't form the policies; they don't say what is best about mortgage clauses. That comes from another source, but this is a practical matter that the clerks have to deal with, and often the managers can learn a great deal from their employees, and if I was going to choose between the two without knowing either of the writers—and I think that would be the proper way to have it done, not to know the names of the writers in any case—I should say to have the last paper printed in the place of the first; but as long as you have decided to have them both, and this matter will come up for discussion as to how to act upon it in the future, it is entirely satisfactory to me. I am not making any criticisms of the action taken, but it seems to me these papers should be handed in without signature, without knowing who wrote them, and considered upon their merits in accordance with what is expected from our little annex, the Clerks' Association.

The President—The view taken by Col. Kinne was mine, also, that the papers should be presented without signature, should be read by a committee, and that one should be selected. It so happens, however, in the present instance, that of the three papers received two were decided to be good, and the committee were divided, so that even had there been an intention to select one over the other, it would have been rather an awkward matter to handle.

Col. Kinne—A committee of five or seven could not divide,

The President—These were handed in at the last moment, and the time was very short, so we thought it would be a graceful act to print both papers.

Col. Kinne—It was a good incentive for the future.

The President—We have with us this afternoon a gentleman whose name appears in connection with No. 16—Mr. G. Alex. Wright, who has courteously prepared a paper entitled “Estimating the Cost of Modern Buildings.” Mr. Wright is desirous of reading it early, and I know you will be glad to listen to it at once.

### ESTIMATING THE COST OF MODERN BUILDINGS.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

I will endeavor to be brief and to the point in what I may say to-day upon the subject of estimating the value of modern buildings.

The theme is an interesting one to all who may be in any way identified with the erection of buildings—in ascertaining their value, or in the cost of reinstating them when damaged or destroyed by fire.

I am of course aware that in the insurance profession there are adjusters, appraisers and others who are fairly accurate estimators of buildings, but there are many younger men, probably—those who are working their way up the ladder of life—who are seeking information, and qualifying themselves for higher positions, and it is to these I would especially address myself, whilst at the same time hoping that my observations may not be wholly without interest to those of more mature judgment and experience.

In early days, when buildings consisted chiefly of lumber, it was much easier to estimate their value than it is to value the modern building of to-day.

Notwithstanding the enormous transformation that has taken place during the last 25 or 30 years in the construction of buildings, it is nevertheless a fact that there has *not* been a corresponding improvement in the methods of estimating, such as one might reasonably have expected. A few of our best builders and estimators have, of course, kept pace with the times, but in a great majority of cases the estimating methods of to-day are, to put it mildly, crude and unsatisfactory.

In place of estimating in detail, there is a tendency to lump things together, and to take chances, and to follow those methods which require the least thought and trouble. It is, as I said in reading a paper on Friday last before a meeting of architects and contractors of this city, the usual methods of estimating are primitive and unreliable, rule of thumb largely prevails, and the element of guess work is not entirely unknown.

In proof of this, many of you, perhaps, have had occasion to notice the great differences which occur in builders' bids or estimates. It is a matter of constant comment that they vary 50, 75 and even 100 per cent. ! As they all estimate from the same data, has it ever occurred to you *why* these differences occur? I can tell you. It arises very largely from an insufficient education and want of practical experience in the art of "taking out quantities," or in plain English, not knowing how to calculate accurately the "quantities" of the different kinds of material required for the particular work in question. This operation of "taking out quantities" is, in my opinion, the most important factor of all, in valuing builders' work.

All the practical experience and the closest prices in the world are absolutely useless in producing an accurate estimate, if the lists of quantities are incomplete to start with.

In valuing the builder's work in a building, the first thing to be done is to carefully measure and record every item of material and labor in the building, however small, possessing a money value.

Some 20 years or more of practice in this special line of work has convinced me that there is no royal road, no short cut, to estimating the value of such buildings as I have reference to. Cubing up or squaring a building are but approximate "guesses," useful for certain purposes (when the rules are intelligently applied), but perfectly *useless* for determining with accuracy how much money shall be paid, or be received, for a building or for building work.

Gentlemen, the only reliable way of estimating modern work that I know of, is for the estimator, or, as you gentlemen would probably say, the appraiser, to go through every item in a building, piece by piece, carefully and methodically, taking no chances, omitting nothing, guessing at nothing, with an intimate knowledge of competition prices in his mind, and a fair dealing spirit in his heart, and that is the only proper and fair way of determining the value of buildings, whether to be built or estimated upon.

Gentlemen, do not at any time be misled or be swerved from this principle by interested parties saying, Oh, we don't figure *that* way: our way is "*near enough*." Nothing, I maintain, is "*near enough*" in estimating or appraising unless it is *accurate*, and I believe this is the opinion, happily, of the majority of adjusters. It is this close attention to little things that make or spoil an estimate. No one thinks much of half a brick, for example, or a bat, as it is called. Well, I remember making up an estimate some time ago for a prominent contractor in this city. It was the ferry depot, or else the City Hall tower, I forget which, but the point is this: a half a brick more or less to the square foot would have made a difference of \$3,000 in the amount of the bid; and so it is always well to consider "little things."

But let us return to the Bill of Quantities. This document, sometimes called a "list of items," should contain an intelligent, well arranged, itemized list of everything in the building possessing a money value, however small it may be.

The items should be classified under separate trades, commencing with "excavation" and finishing with "painting," and a uniform order of arrangement should be adopted and always adhered to, commencing, for example, with the largest items, and finishing with the smallest.

It would be impossible, in the scope of a short paper, to touch upon *all* the items of work in a modern building, but we can devote a few moments, perhaps, to considering a few of them.

I have in my mind a large modern building not far from us now. There were 6,000 cubic yards of excavations made for that basement, and in the "quantities" this item would read 6,000 yards cube, excavate and haul away. Now if we were estimating on this it would be necessary to remember that although the earth was 6,000 yards cube when in the hole, it became 7,500 yards cube when it was hauled away, for the reason, of course, that earth increases in bulk say one-fourth upon being excavated, and even the extra 1,500 yards at a cost of say 25 cents only for hauling away, would have been a serious item if it had not been provided for.

Here let us suggest to you the advisability of always taking measurements in the same order, for example—first the *length*, then the *width*, and lastly the *depth* or *height*. Length, width, depth.

But to proceed, now we will measure the concrete foundation. We do so, and find it contains 600 cubic yards of cement concrete. The easiest way to price this, and the one most often adopted, is to get a bid from some firm in the concrete business. It is an easy way, it is true, but it is not *estimating*, nor is it altogether the best thing to do. A yard of concrete (and by that we mean a *yard cube*, or 27 cubic feet) will require say  $1\frac{1}{4}$  yards of material to make it. Unlike the excavation, this shrinks in bulk in place of increasing. The cost is controlled by the "proportions" of cement, sand and rock it contains, for there are probably as many "qualities" of cement concrete as there are days in the month. The estimator has to know exactly how much, by measure, of each material will be required for that entire foundation, the net market prices for each, and the cost of labor in mixing it and putting into place. Concrete walls, steps, artificial stone, etc., can all be estimated upon the same principle, and if this method be followed out in everything, no one can question the accuracy of your calculations, not even an "expert," as it has become the fashion nowadays to style everybody, who simply understands his business.

Brickwork is the next item to consider. There may be several kinds of bricks in a building, but the area of all the surfaces of each kind must be measured, and the thickness of the wall noted. Each kind must be kept separate and distinct in the quantities, always remembering that the different *qualities* of even the same kind of material should be segregated, for the reason that each has its own particular value. Especially would I say, avoid the common practice of *lumping things together*. If you do this, your estimate cannot be accurate, and if it should come into the hands of, or have to be examined by an experienced estimator, your work would be open to unfavorable criticism.



Of course, underwriters naturally prefer to select the best available talent when appointing an appraiser, and there can be no question that the interests of a company will receive greater protection at the hands of one who in addition to being circumspect, is fully posted in the many ins and outs of estimating buildings than it will at the hands of one who, for any reason, is not so well posted, or who is willing to travel the "near enough" road, because it is easier, or because he knows no other.

But we were speaking of bricks. The custom among architects and contractors is largely to estimate brickwork by the thousand. I do not, however, share the general opinion that this is the best method, and I will explain to you why. The labor on every thousand bricks differs very considerably in proportion to the thickness of the walls. Labor on brickwork is always a formidable item. Now the basement walls of the building I have in mind are 4 ft. 6 in. thick, the walls of the top story are 18 inches only. In the 4 ft. wall a bricklayer could lay 1,400 bricks a day (perhaps more, if it were piece work), whereas in the 18 inch wall and on a high scaffold, half the quantity might be a good day's work, and that is why I consider it more accurate to say in my estimates:

So many square yards of wall . . . . .	4 ft. 6 in. thick
" " " " . . . . .	3 ft. 0 in. "
" " " " . . . . .	18 in. "

If for any reason it is imperative to know the number of bricks, it is the simplest matter to figure them from the above data.

This practice of lumping things together is wrong; indeed, it is neither wise nor skillful to crowd all the brickwork in a building together, at so much a thousand. The same principle applies to lumber, to mill work, plastering and, in fact, all the trades which go to make up builders' work. I say, segregate the work made, so that everybody can understand it, and greater accuracy will be the result, your companies will be better satisfied, and you will be able to feel that your work will bear inspection.

Of course, after measuring all the walls as I suggest, an estimator must, in addition to figuring bricks and labor, allow for the requisite quantities of lime, cement, sand and labor which go to make up the required quantity of mortar for a building.

In addition to the plain walling there are many other things to consider under the brickwork classifications, such as molded bricks, belt courses, beads, sills, plastering flues, copings, cornices, and the like, all of which are measured by the lineal foot, and of course these would all appear in detail in the estimate, and so on.

Now let us touch upon a few items in carpenter work. We will suppose that our brick building has stud partitions on the inside. Now, although the studs are 14 inches apart, or as we say in practice, 16 inch centers, it is customary, so as to provide for bridging, bracing, etc., to assume that

the studs are 10 inches apart, or on 12 inch centers. This simplifies matters, and unlike some things of the kind, it is correct for all practical purposes. In the entire building we have 1,250 lineal feet of 2 x 4 partitions, all 11 ft. 6 in. high, and the quantities for this item would then read 1,250 pcs. 2 x 4 12. We take no notice of doorways, etc., in measuring studding, because studs are doubled round all openings, and made solid at corners, and one pays for the other.

Joists are usually estimated in frame buildings at 16 in. c or 14 in. apart, which corresponds with the outside studding; but in brick buildings it is not uncommon for them to be 12 in apart or 14 in. c. Under partitions running the same way, there should be at least 2 joists, sometimes 3, all of which must be counted in. Joists over 40 feet long should be kept separate in the quantities.

For rough roof boarding, and rough under floors, No. 2 lumber is usually sufficient. This would be given in the "bill of quantities" or estimated by the thousand feet B. M., and it should be stated if laid diagonally—as is sometimes the case with this particular work.

In measuring finished floors, T. and G., stock, etc., one-fourth at least should be added to the surface measurement to allow for the tongue on edge of boards. If the flooring is  $1\frac{1}{4}$  in. thick, an additional one-fourth must be added for the increased thickness.

With the carpenter work is measured the roofing felt, and the sound proofing felt between the floors. When same is used, proper allowances must be made if the edges are lapped, or made double, and it is estimated by the "square" of 100 sq. feet.

Now let us take a few items of mill work, beginning with "doors." We should of course be careful to count the exact number, and list them accordingly. To many people a door is a door, one pretty much the same as another; but to the estimator there is a very numerous variety of doors, each and every one having a different money value. In every case, however, at least the following particulars should always be given, and preferably in the order named: thickness of door, width and height; kind of wood; number of panels, whether molded or not, and whether on one side of the door or both; whether panel moldings are flush or raised; the same as regards the "panels," etc.

It may not be absolutely necessary to give all this detail in an appraiser's "estimate," in cases where appraisers agree, but failing to do this, it is no disadvantage to have taken all these particulars, and to have them at hand ready for submission to the third party.

My remarks concerning doors will in principle apply to windows equally as well. Each kind should be described in detail. And here allow me to say a word about the jambs and casings, etc., of doors and windows. The man who makes the latter does not always get out the straight stock, i. e., the casings, etc., and I prefer not to mix up the framed work with these items. One often sees such items as so many doors, with finish complete,

but it is preferable to state definitely just what the finish consists of, in something like the following order:

. . . . so many doors  
 . . . . " windows

giving full detailed descriptions—as I have explained—then follow on with

. . . . lin. feet of 1 x 6 plain jamb  
 . . . . " " 1 x 5 molded casings

or whatever size, etc., they may be. After doors and windows should follow all straight stock, such as picture molds, water tables, dentil courses, and such items.

In dealing with "staircases," every part should be calculated. The best illustration of what I mean, perhaps, will be one taken from actual practice.

Some extensive changes and additions had been made to a large residence—the original intentions were changed after a contract had been entered into; periodical payments on account had been made to the builder in the usual way, but when the account for the extra works was rendered, there was a dispute as to the fairness of certain charges; among them was one for a new oak staircase. The account read, "One new oak staircase," and as near as I can remember the charge was \$525, but there was no detail of the charge. The dispute was referred, and I was selected as an arbitrator.

Upon examining the work I formed an opinion that the charge was certainly high. First of all, after a good deal of conversation, we agreed upon prices per square foot, and per lineal foot for the materials used. Then in company with my co-arbitrator, we very carefully measured separately everything in the stairs—the treads, the risers, the wall string, the cut outer string, balusters, brackets, nosings, the rail with its goosenecks, etc., everything, in fact, however small, seen or unseen. Then we estimated the labor putting up, agreeing piece by piece as we went along.

The result of all this was, that our items occupied nearly two sheets of paper, whilst the "claim" only occupied *one* line. The effect of it all, however, was this, that after allowing 15% profit to the net cost value, the claim was reduced about \$140. In this way I successfully resisted an unjust claim by dissecting and detailing the work, in place of making a lump sum settlement.

A word to the wise is sufficient. Never accept lump sum settlements. And now a few words about plasterers' work.

Two coat work should of course be kept separate from three coat work, cement plastering the same. Each and every kind having a different value should be kept distinct. Always state if plastering is on brick or laths; if metal lathing, describe the kind.

Then measure the cornices or coves; if cornices are bracketed, and freely enriched, the brackets and enrichments should be counted, and only

the cornice proper—that is, the part which the workman runs with his molds in a straight line—should be given lineal.

Cornices, of course, even when not enriched, are of different girths or sizes. Measure each one separately and keep it separate. Center flowers, to be counted, diameter taken, and a proper allowance make for plaster, labor, etc., in putting them up. Beaded angles, etc., should be measured by the foot lineal, giving size, etc. Plaster arches are usually counted giving dimensions each way.

I need not dwell at length upon the plumbing work (beyond reminding you that everything must be settled by measurement, in the case of pipes), keeping each size separate—iron distinct from lead, and in the latter case giving weight per yard lineal.

Numbers and full descriptions should be given for all traps, sinks, w. c. apparatus, cisterns, draw-off taps, and it must be remembered that such work must by law, and very properly so, conform to the local city ordinances, and be valued accordingly.

Under glazing, ascertain the size of each square of glass, whether in windows, door panels or transoms, etc. Commence your list of items with *plate* glass, and great accuracy is necessary with plate, especially in the larger and more expensive lights. The loss under this item is, I understand, covered by a plate glass insurance company. Then measure all the fancy glass, lead lights, etc., then the clear sheet, from 32 oz. down, conforming as much as possible with the glass *trade* custom as regards sizes.

A word about painting work and I have finished.

The different kinds of natural finish and oil painting, whether 2, 3 or 4 coat work, should all be measured separately, keeping wood surfaces separate from iron or tin.

Measure body work or large plain surfaces by the square yard, narrow widths cut in on both edges (as base) being kept separate and described by the foot lineal.

The estimator should know, of course, how much white lead, driers, linseed oil, turpentine, etc., it requires to make a gallon of paint, and the number of square yards it will cover.

In conclusion, I hope I have not detained you too long, but I feel I cannot lay too much stress upon the importance of fully detailing and itemizing estimates of builders' work, and while this is so, in estimating the cost of modern buildings, the necessity for it is, I believe, felt to exist probably in a much greater degree when it comes to an appraisement and adjustment of a building loss, and when the accuracy of such appraisement is liable to examination before the courts.

G. ALEXANDER WRIGHT.

Mr. Wm. Sexton—This is a very good paper, and I move that a vote of thanks of the Association be tendered to Mr. Wright.



Mr. Wright—Mr. Chairman and gentlemen, I deeply appreciate the very kind feeling which prompted the motion to vote me thanks for the paper which I have just read. I accepted the invitation to read a paper here with a certain amount of diffidence, because I knew that in the insurance companies there were adjusters who probably had had more experience in this particular class of work than I had had. But at the same time, I felt that most of my life has been spent in preparing estimates in competition work for contractors. Now, I might also be permitted to add, perhaps, that in Europe this class of work is made a special profession. The builder has his position, the architect has his, but midway between those two there is a profession which is unknown on this Coast. It is that of the quantity surveyor; the business of the quantity surveyor being to take the drawings and specifications prepared by the architects and go into the matter very closely. It would surprise you gentlemen if I were to tell you how closely sometimes a quantity surveyor will go into making measurements and in preparing what is known as the "bill of quantities." By way of illustration, I will take the picture mold around this room. The quantity surveyor would not only measure the plain wall, but he would take in those breaks; having done that, his next proceeding would be to count up the miters in the corners, so many external miters in the room; then he would go to the internal miters, and so on. I simply mention that by way of illustration to show you how closely it is customary for a quantity surveyor to prepare estimates; and I might also add, perhaps, that the profession is a recognized one, and that parents pay sometimes large sums of money in order to article their sons to that profession.

I don't know that I have anything more to say, except to thank you again for the very kind vote of thanks.

The President—I hesitate to depart from the regular programme, and am unwilling to do so unless it is your desire; and yet I am aware that quite a number of the managers of the city are anxious to be present during the reading of the "Retrospect" about to be presented here, but are detained by the Montana meeting. I believe that is not adjourned, and for that reason, if it is entirely agreeable,

we might devote a limited time to the discussion of the problem which we had distributed this morning, to dispose of the question. There being no objection, we will proceed to the discussion of the problem propounded by the Fire Underwriters' Clerks' Association. The motions for the adoption of any particular plan will be put in their regular order, and the question will be called at 3:15. The problems need not be read, as they are in your hands. Perhaps I may take not over two minutes to state the solutions suggested.

One solution, followed by three of the Association, is to treat the matter pro rata throughout, and to allow to the re-insuring company 6-311ths for its six days, 311 days being the term of the original policy, of half of the premium earned by Company A.

In the second problem it will be 1-11th—one month out of eleven months.

The second solution, followed by two, is to treat the return premium as the way of getting at the result, and to divide the amount returned by Company A in two, Company B returning one-half.

The third is to consider that Company B, which originally accepted a pro rata transaction, is entitled, now that that transaction has been changed, to short rates, and will receive the short rate of six days upon its policy of \$500.

The fourth is a curious solution, propounded by one of our members, who suggests that for ten days one would be entitled to 10 per cent. of the annual premium; that for 60 days one would be entitled to 30 per cent. of the annual premium. Therefore Company B's policy having been written for 60 days, and being canceled at the end of six days, he suggests that 10-30ths, or  $\frac{1}{3}$  of the premium on the re-insuring policy be allowed.

In the second instance, as the premium for 60 days is 30 per cent., and the policy is canceled at the end of 30 days, when it would ordinarily receive 20 per cent., he takes two-thirds of the premium for which the policy is written.

Mr. F. G. Argall—Mr. President, before we begin the discussion, I beg leave to introduce to you Mr. Geo. A. Crux, of our office.

The President introduced Mr. Crux to the members present.

Mr. C. Mason Kinne—I don't know that an adjuster has anything to do with the cancellation of policies, but it seems to me that there is a matter of equity in this matter, and it seems that by the way the return premium is paid in each case, the policy was treated as if it had run a month. The six days did not count at all in the matter, but they considered each policy as having been canceled on the 1st day of December, because they make the same return premium, \$3. I believe that is so, isn't it, according to the statement given here?

The President—That is true.

Mr. A. R. Gunnison—It seems to me this contract was a new contract, entered into on the 1st day of November, between the two companies. There were \$10 of unearned premium—that is, the original policy for \$1,000 was issued for \$5 a month. It had two months to run. There was \$10 of unearned premium according to the way they estimated it, because the re-insuring company paid \$5, that was one-half, for it re-insured one-half of the policy. There was a contract there of pro rata. Now, then, arguing from that standpoint, they started out with a new contract, and the re-insuring company paid a pro rata of one-half because of its re-insuring one-half of the policy—or received one-half, I should have said. Now, then, it would look to me as if Company A, having elected to pay back only \$3 to the assured, Company B would have one-half of that to pay, as a matter of equity. That would be \$1.50, and leave them \$3.50 of the earned premium.

We can look at it in another light, and it comes out the same way. This insurance of \$500 for \$5 for two months is equal to 1 per cent. It is the same proportion in issuing for two months as if issued for a year, being precisely the same. It was 1 per cent. for two months, the same as 1 per cent. for a year. The schedule of short rates, I think, is 7.10 of 1 per cent. for half the term. Now, if one-

half this policy had expired, it is just the same as a yearly policy one-half expired. They are entitled to 7.10 of the premium which they received—to keep 7.10, that is, \$3.50. It comes back to the same thing. It seems to me it is a matter of equity that they earned \$3.50, and should pay back \$1.50 to the assured.

The President—Mr. Gunnison favors the second solution, which cuts the return premium in half in each case.

Mr. Gunnison—Yes; it would be the same thing, exactly.

Mr. C. Mason Kinne—To bring the matter before the Association properly, and noting your remarks that one of the solutions has received more favorable consideration than any of the others, one having received three and another two, and another one, I move that it be declared to be the sense of this Association that the solution favored by the three, as stated by the President, be considered the proper method of cancellation of re-insurance policies. (Motion seconded.)

The President—I will state that fully. It is moved and seconded that the first solution be adopted as the sense of this Association; that is, that Company A's policy, having run 311 days, earning \$57, Company B's policy for 6 days is entitled to 6.311 of half of the earned premium.

Mr. Kinne—I rise to sustain the motion I made. I did not bring it up solely for the purpose of having it before the Association, but also for the purpose of having an opportunity to say that it seems to me that this matter should be treated exactly the same, upon the same identical basis as if the re-insuring policy had begun on the 1st day of January. I think that is the proper way to consider it, and then follow it out on that line. If the re-insuring policy for one-half the amount—bear that in mind, it is an easy problem—began on the 1st of January, no matter how the re-insured policy was canceled, honesty alone and equity at all times would say that the re-insuring company must follow in that which the re-insured policy has earned.



In this case, the re-insured company's policy has earned \$57 under the conditions of its policy. Now, if the proposition is correct that if the re-insuring company's policy had been written on the 1st of January it should follow it—it having been written pro rata on the 1st day of November, the same as it would have been on the first day of January, because it begins then, and it then is naturally a pro rata writing—it seems to me that then that policy of the re-insuring company is entitled to the same proportion of what has been earned as the re-insured company obtains. If the re-insured company obtains for 6 days the 11th month's premium—because the conditions of its policy show that it is entitled to it—then the re-insuring company's policy, which was written on the pro rata basis, should be entitled to its proportion for the time that it has been liable for a loss, of that amount earned. The amount returned has nothing to do with it. It is entitled to its proportion of the amount earned. So that the proposition of the two are hand in hand, that there has been \$57 earned by the re-insured company in each problem. But the re-insuring company in the one case had run but six days, and therefore had but six days for the chance of a loss, and in the other case it had run 30 days. So I contend that the re-insuring company is entitled in the one case to one-half of the amount for the time it had been in force—one month—that is the second problem—or one-fifth of the one half, or for six days in the first case. The President calls it so many 311ths. He is putting it in days; I am putting it in fractions of a month. So that the proposition he states and mine are identical. I beg to call attention to the honesty, equity and practicability of this at all times, on every occasion. Find out what the re-insured company had earned, what it obtained under its conditions, and then divide honestly and fairly with the re-insuring company.

Mr. Albert W. Thornton—Is it not a fact that Company B has re-insured Company A for one-half of its liability, and that its liability is limited to two items? One is the loss on the policy, and the other is the return premium which may be paid. The liability for return premium proves to be \$3, and Company B is liable for one-half of

that liability of this \$3, and liable to pay \$1.50 return, which would make the earned premium \$3.50. I move an amendment to Col. Kinne's motion, that the second solution be declared to be the sense of the meeting.

Mr. Louis Weinmann—I second the amendment.

The President—Do you take the same position on Problem 2?

Mr. Thornton—The same.

Mr. Whitney Palache—That is a solution if you once admit the fact that that policy is in the same relation to the original policy as if it were issued for the time that the original policy was issued. It is exactly the same. It is a question of return premium.

(R. W. Osborn in the chair.)

Mr. Herbert Folger—I was one of those who had the pleasure to give an opinion on this. I did not feel at liberty to discuss it from the chair. It seems to me the proposition stated by Mr. Thornton is very attractive. From my standpoint it is almost specious. It leaves us in this position: if you contend that Company B is to pay back \$1.50 because Company A paid \$3, you are assuming that Company A has earned \$7 for 6 days. Stated differently, Company A receives pro rata \$5 every month for a year, \$10 for the months of November and December. Company B issues its policy for \$5 for November and December. If Company A has earned up to the 1st of November \$50, and that is all it is to be considered to have earned, it must have earned the other \$7 of the \$57 earned premium in 6 days, and Company B will have earned \$3.50 in 6 days. Moreover, if that solution be adopted, admitting that the \$1.50 return premium may be apparently the correct return premium, from that standpoint it leaves the earned premium—and I draw your attention to the fact that the clerks have not asked anything about the return premium—it leaves the earned premium \$3.50; under the short-rate tables for 6 days on the re-insured policy of \$500, the largest amount which could be claimed would be \$3, and you have exceeded the

short rates collectible under the ordinary conditions of the policy by 50 cents.

(President Folger in the chair.)

Mr. Louis Weinmann—I fully agree with Mr. Thornton in reference to the amount of return premium, which being deducted from the amount of premium for the unexpired term of the policy, will give the amount of the earned premium which is sought. There is no trouble at all to find it. I think the greatest trouble that exists is in the clear understanding of the problem as set forth, and that most of those who have figured on the problem have lost sight of the question that was proposed. There are only two things to be considered—that is, the liability that the re-insurance company assumes and the amount of return premium it will have to pay. Of course, in paying the return premium, it being deducted from the premium that was originally paid them, the difference will give the earned premium. I contend that the re-insurance company should pay back the pro rata part of the return premium. It makes no difference what the example may be. Company A re-insures \$500 with Company B, and pays \$5 premium for the purpose of effecting that insurance. It retains \$500 and has \$5 premium for the unexpired term. The original policy was canceled and \$3 return premium paid to the assured. As Company A received \$5 from the assured and paid him back \$3, Company A then has \$2 earned premium from the assured. It then cancels Company B's policy in the same manner, and receives from it \$1.50, making A's earned premium \$3.50. Both companies then will have an earned premium of \$3.50. When I re-insure any part of a policy with you, it is on the supposition that the line that you take will be governed in the same manner as the part I retain, and in proportion to the amount of the original policy. If I re-insure the whole \$1,000 with you, I would like to know what return premium you would pay me? I pay back to the assured \$3; what return premium would you pay me? I re-insure the whole policy with you, allowing you a \$10 premium. The original policy is canceled, and I pay the assured \$3 return premium. What return will

you pay me? I contend you will pay me \$3, the amount I paid the assured. I am simply the go-between between the assured and the re-insuring company. That is the most equitable way that I can possibly look at it. I don't see any other way that a correct solution of the problem can be obtained.

Mr. R. W. Osborn—The President knew that I also had written a solution to this problem yesterday. I put down return premium \$1.50, and the earned premium \$3.50, based wholly on the principle that it was a contract of re-insurance. It was different from the proposition suggested by Mr. Folger on the floor, in this, that Company A did not ask for re-insurance for a given six days; it asked for re-insurance for the remainder of that time, the assumption being that it was following the original contract; it should then fall heir to all the emoluments arising from that six days, precisely as it would had they re-insured in the whole amount, as Mr. Weinmann says. If Company A sees fit to relinquish its liability in favor of Company B, and pays it the \$10, it seems to me that in doing so Company B should receive all the benefits, and if the assured should cancel in the meantime, Company A would have had the pleasure of no liability during that time and still getting the benefit of it. It strikes me that \$1.50 return and \$3.50 earned is correct.

Mr. F. G. Argall—Suppose Company A has an *additional* premium to cover additional hazard incurred; Company B would expect to get one-half of that amount. I think that any practice which recognized a difference of method in making a claim for additional premium or a payment of return premiums—any scheme that contemplated a difference between those two methods, would not be a good one. I think we all agree that Company B would be entitled to one-half. Therefore I think the same principle should govern all transactions between the two companies.

Mr. Wm. Sexton—I have been trying to make this balance three or four different ways, and I cannot; it don't seem to fit. In adjusting a loss we settle the facts to start with, as near as we can, and



agree on them. In submitting this, the facts are not settled. Each gentleman on the floor has his own idea of what the facts are, and we are not trying to settle on an agreed statement of facts, and when you fail to agree on the facts, it is not possible for a crowd like this to render a proper decision. One gentleman here suggests that it is equity to the company that places the risk, and that the cancellation must be based on the company's rights. That may be correct, but I find that this risk being placed with the other company on November 1, and \$5 paid therefor, it returns \$1.50 and receives \$3.50 for carrying that risk six days. If the risk had been placed on October 1, Company A would have paid \$7.50. If it had been canceled on Oct. 6, Company A would have paid a return premium of \$6, according to the short rate table, then there would be \$3 of that \$6 to be paid back by the re-insuring company (B)—\$3 from \$7.50 would give that company (B) \$4.50 for carrying \$500 for six days. There is something wrong about this, that in the one case it gets \$3.50 and in the other \$4.50 for carrying \$500 six days.

Mr. H. M. Grant—We don't know what the fact is, but it is presumed that Company B assuming this risk takes it with the expectation of carrying it two months for \$5 pro rata, and if called upon to cancel it in the meantime will expect to earn short rates. If that is true, Company B has earned six days' insurance at short rates, which is \$3.

The President—Do you offer that as an amendment?

Mr. Grant—That is my interpretation of the facts presented. I suppose that any re-insuring company asked to cancel its policy of re-insurance within the time for which it is taken, will expect to recover short rates, or would expect to receive pay for six days' insurance at short rates of the annual rate, which would be \$3 in this case.

Now, if it is a pro rata proposition, suppose, for instance, that Company A re-insured it all, that would be \$1,000, and Company B would have received \$10. Company A then cancels it and pays back \$3 and recovers of Company B \$3, and Company B earns, therefore,

net, \$7. If, instead of having re-insured it all, they re-insured half on a pro rata basis, it would receive \$3.50. If it is a short rate proposition, he would have earned \$3, and if it is pro rata, \$3.50. It seems to me proper that Company B has earned \$3, the short rate of the annual rate.

The President—Is the substitute seconded? Stated differently, Mr. Grant's motion is that we resolve that Company B shall be entitled, if the re-insured policy be canceled at short rates under ordinary circumstances, to the short rate of the annual premium.

Mr. W. H. Lowden—I think Mr. Thornton's solution is correct. We must not overlook the fact that when Company A re-insured one-half of its policy for a short term at a pro rata rate, it was obtaining a concession which is not usually granted. Mr. Weinmann strikes the nail squarely on the head when he asks the question what would occur if Company A had re-insured its policy in full; it would have paid \$10 to Company B. It was entirely relieved of all liability by that action. No matter whether a loss occurred or whether a policy came in for cancellation, it was not expected to earn any profit or sustain any loss from the transaction.

Now, the policy comes in for cancellation. Company A pays \$3 to the assured, and demands that \$3 from Company B, and that is the solution of the problem to my mind. If only one-half of the policy was re-insured, \$1.50 is the return premium due from Company B to Company A. The policies, in my mind, are of equal value for the remainder of the term they have to run. I think we make a mistake all through our cancellation tables by basing them on the proposition that we want to ascertain the earned premium. We go around the work, as it were, to find out what we want to know, and that is the return premium on the policy. We have certain figures based upon a short table which provides for the earned premium, in order to ascertain the return premium. I think that is wrong. Our tables should provide for the return premium on a certain short rate basis, and if we answer this question correctly we will simply reply that the earned premium on Company B's policy is the difference

between the return premium due Company A and the amount it received, \$3.50.

Colonel Kinne—Is there any difference between whether the re-insuring company has carried it for six days or one month? In each case, as I understand, Mr. Thornton's idea is that in each case the re-insuring company would be entitled to return \$1.50.

Mr. Thornton—Yes.

Colonel Kinne—I want to understand it. I don't think that is right. I think it should depend upon what had been earned; a certain proportion of it.

Mr. Thornton—I would like to ask Colonel Kinne how he would figure out the return premium under his system if the entire policy was re-insured, that would not leave a profit to the re-insuring company.

The President—The position is this: under the solution proposed by Mr. Lowden, which is the simplest of all that have been proposed, the proposition is that for ten months the original company has earned \$50 pro rata. The earned premium for the entire term on the original policy is \$57. So that you must remember that you are granting to the re-insuring company only \$50 for ten months, and to the re-insuring company which reaps the benefit of six days, one-half of \$7 premium, which is just \$1 more than the tables would give it at short rates.

Colonel Kinne—Mr. Thornton asks a question. I don't think you alluded to that, exactly.

Mr. Thornton—What would be the return premium on Company B's policy?

The President—In case it were all re-insured, Company B would retain 6.311 of \$57, because we must be consistent. If we hold that Company A has earned \$57 for 311 days, it has earned an equal amount per day, not \$50 for ten months and \$7 for a piece of the other month.

Mr. Lowden—Company A, after it had been relieved of all liability, and closed its books so far as that was concerned, will receive an additional premium?

The President—Company A will receive an additional short rate premium for the ten months during which it had carried the risk alone.

Mr. Lowden—After it had been relieved of all liability and closed its books, it would not in the event of a loss have to pay a cent; and now that the policy is canceled, and Company A has paid \$3 to the assured, it turns around and collects from Company B an additional premium.

The President—In order that each company may be on an equal footing.

Mr. Lowden—After it was re-insured in full, all liability connected with that policy was thrown onto Company B?

Mr. Louis Weinmann—I think the trouble is, as I stated in the first place, in the statement of the proposition before us. This is a re-insurance contract and not a direct policy placed by the company or by an individual. It is only accepted by the re-insurance company as such, and for that reason when the original policy is canceled I pay a return premium to the assured, the re-insured company pays me its pro rata of this return premium in proportion to the amount of insurance that it carries.

The President—The original motion was that the answer to Problem 1 shall be that Company B shall earn that proportion of the annual premium on its policy which the number of days it carries bears to the number of days carried in the original policy. The amendment by Mr. Thornton was that Company B, re-insuring half of Company A's policy, shall pay back one-half of whatever the return premium may be. The earned premium will be the difference between that and the amount for which the policy was written. The



substitute offered by Mr. Grant, which will become the first question—

Mr. Weinmann—It was not seconded.

Mr. Wm. Sexton—Will the decision of this honorable body be binding on the companies?

The President—No, sir.

Mr. Sexton—Then I think the matter had better be dropped. I must say that I don't understand it.

The President—We will have the question on the amendment by Mr. Thornton.

Colonel Kinne—I move, that as there seems to be a difference of opinion, and from the fact that we ought not to put ourselves on record in a matter of this kind, we indefinitely postpone the matter.

(Motion seconded.)

Mr. Lowden—I think the Clerks' Association is entitled to an expression of opinion from this body; a majority and minority report, if necessary.

Colonel Kinne—I agree with Mr. Lowden, but believe we should take more time to consider the matter.

The President—The motion to postpone is put and cannot be debated.

(Lost.)

The President—The question recurs on the amendment by Mr. Thornton.

(Carried.)

The President—The decision is that it is the sense of the Association that the cancellation shall be settled by dividing the return premium. Those in favor will say aye.

(Carried unanimously.)

The President—The Association will now have the pleasure of listening to what is one of the chief events of the session, a retrospective paper by L. L. Bromwell, one of the promoters of this organization.

RETROSPECTIVE.—OUR TWENTY-FIRST ANNIVERSARY.

“We will revive those times, and in our memories  
Preserve, and still keep fresh, like flowers in water,  
Those happier days.”

On October 26, 1875, burned and blistered Virginia City extended its melancholy invitation to a motley-minded company of brave unfortunates. These adjusters came from the far East as well as the West; many were whitened by the settlements of time, while others, glowing with the ambitions of youth, were about to mold this black alloy into their experience, as a basis for golden and profitable futures. We are told that general adversity begets all those forces which impel co-operation, and finally insures common safety,

“As night to stars, woe lustre gives to man.”

No consoling and cheerful fires blazed upon the hearths of hospitable inns on the snow-mantled Comstock; no entertaining and ruddy-cheeked landlords were there to bid welcome to comfortable quarters, this band of toiling men, bent upon the luxury (?) of repairing, as far as possible, the ravages of a wasteful and relentless fire fiend. Huddled together in an old fashioned sleeping car, the roll call of this band of spiritless wanderers is now given on this twenty-first birthday of the

FIRE UNDERWRITERS' ASSOCIATION OF THE PACIFIC.

The ORIGINAL THIRTY-TWO.

- |                     |                |
|---------------------|----------------|
| 1. H. W. Snow,      | San Francisco. |
| 2. Wm. Sexton,      | San Francisco. |
| 3. Wm. Doolan,      | San Francisco. |
| 4. Wm. Macdonald,   | San Francisco. |
| 5. J. McKenna,      | San Francisco. |
| 6. Geo. W. Spencer, | San Francisco. |
| 7. Geo. F. Grant,   | San Francisco. |
| 8. J. A. Brumsey,   | San Francisco. |
| 9. J. W. Staples,   | San Francisco. |
| 10. D. S. Kirby,    | Chicago, Ill.  |
| 11. C. Bradley,     | Newark, N. J.  |

12.	W. J. Callingham,	San Francisco.
13.	A. A. Snyder,	San Francisco.
14.	A. D. Smith,	San Francisco.
15.	H. H. Bigelow,	San Francisco.
16.	W. J. Landers,	San Francisco.
17.	L. L. Bromwell,	San Francisco.
18.	R. H. Magill,	San Francisco.
19.	J. F. Houghton,	San Francisco.
20.	D. Rorick,	St. Louis, Mo.
21.	B. C. Dick,	San Francisco.
22.	W. W. Dudley,	Chicago, Ill.
23.	W. H. Levering,	Lafayette, Ind.
24.	J. R. Garniss,	San Francisco.
25.	B. F. Lowe,	San Francisco.
26.	J. W. Hart,	San Francisco.
27.	A. R. Gunnison,	San Francisco.
28.	Geo. H. Bigelow,	San Francisco.
29.	E. E. Potter,	San Francisco.
30.	Robt. Dickson,	San Francisco.
31.	Geo. D. Dornin,	San Francisco.
32.	Henry Coubrough,	San Francisco.

Upon arrival at Virginia City, fifty dollars per day was the rental price paid for that side-tracked, but hospitable sleeping car, while porter Day was properly tipped and formally installed as the landlord, to build the evening fires and otherwise offset the chilling blasts of those long to be remembered Nevada zephyrs. What wonder that amid the chaos of smouldering and falling ruins, clamorous and anxious claimants, cinching cold weather, and drifting snow, there should follow faithful co-operation among assembled adjusters, to the end that systematic and effective work could be accomplished! The warmth of the first evening's fires had its beneficial effect upon every man of them.

The successful birth of our kindred association, the "Fire Underwriters' Association of the Northwest," reflected the movement in this instance, and the first meeting was called on the first black night after arrival, and held in that motionless old sleeper at Virginia City. When we look back upon our accidental beginning—born of calamity, nursed by a general conflagration, and trained since by twenty-one years of varied and ever-changing experiences, we must admit after all, that extremes are contiguous, and the wielding and welding of our combined opportunities has proven a wise and beneficent schoolmaster. We were unacquainted then—we know and trust ourselves now, conscious of that graceful and professional dignity, which elevates, promotes and perpetuates.

At the preliminary meeting above noted, held October 28th, 1875, Mr. B. F. Lowe was elected president, and J. W. Staples secretary. Claims were recorded, classified, and numbered seriatim; then followed the appointment of different committees to handle and adjust the one hundred and twenty odd important demands, not to mention the scores of damages, actual, inactual, providential and consequential. The cramped old sleeper was abandoned, as limited quarters could be obtained throughout the unburned district: a needed poster was issued giving the location of most of the adjusters and the companies they represented. This Bulletin was re-produced at your 17th Annual Meeting in Mr. Alex Wetzlar's paper, titled "History of the Virginia City Fire."

On November 19th, all the adjustments that could be finished on the ground were closed, and the "beaux esprits" after being photographed, scattered over the Coast field, to take up their regular line of duties.

The first regular *annual* meeting of the Association was held in the directors' room of the Fire Patrol, San Francisco, on February 20th, 1877. Already the energizing benefits of thorough acquaintance, closer communion, and professional affiliation was apparent: papers were read and submitted, freely discussed, and thoughtfully considered.

All doubts as to the necessity or efficacy of the organization were dissipated forever, and from that instant. Many of our old wiseacres that furnished us with monthly wherewithal, were very apprehensive lest we middle-of-the-roadsters should forget our respective places, and carry our discussions and legislation to intolerable lengths; but gradually they began to see and feel the beneficial results of co-operative action by field men; there was no striking for higher wages, or boycotting of companies or their representatives, and in due season they gave us the benefit of their valued and valuable membership, until few of the executive officers of companies doing business on this Coast, but honor the Association and themselves as well, by not only enrollment, but by participating in and contributing to, all its praiseworthy objects and generous purposes.

We now subjoin the directory of Association officers, from its inception down to date.

<i>Year.</i>	<i>President.</i>	<i>Vice President.</i>	<i>Secretary.</i>
1876	*B. F. Lowe	H. H. Bigelow	*J. W. Staples
1877	Geo. D. Dornin	W. L. Chalmers	J. W. Staples
1878	*A. P. Flint	E. Brown	J. W. Staples
1879	*C. T. Hopkins	A. D. Smith	J. W. Staples
1880	Geo. W. Spencer	E. W. Carpenter	J. W. Staples
1881	L. L. Bromwell	Geo. F. Grant	J. W. Staples
1882	Geo. F. Grant	E. W. Carpenter	J. W. Staples
1883	E. W. Carpenter	Wm. Sexton	R. H. Naunton
1884	Wm. Sexton	C. Mason Kinne	*C. P. Farnfield
1885	C. Mason Kinne	*Z. P. Clark	R. H. Naunton



1886	*Z. P. Clark	*J. W. Staples	R. H. Naunton
1887	*J. W. Staples	W. L. Chalmers	B. Faymonville
1888	W. L. Chalmers	L. B. Edwards	B. Faymonville
1889	L. B. Edwards	W. J. Callingham	T. W. Fenn
1890	B. Faymonville	W. H. Lowden	R. H. Naunton
1891	W. H. Lowden	H. M. Grant	Geo. H. Tyson
1892	H. M. Grant	S. D. Ives	Ed. Niles
1893	S. D. Ives	R. V. Watt	R. W. Osborn
1894	R. V. Watt	V. C. Driffield	R. W. Osborn
1895	V. C. Driffield	Herbert Folger	Louis Weinmann
1896	Herbert Folger	R. W. Osborn	Louis Weinmann

\*Deceased.

Many of the foregoing list of officers have graduated from the migratory special and adjuster to the more prominent and responsible position of manager; they can trace their promotions to the time when, without interdiction, they allied themselves and assimilated with this organization, giving and receiving the needed encouragement towards raising the standard of Coast underwriting to a higher, better, and more dignified plane. The "labor of love" performed by and through your executive officers, is best attested by the twenty-one volumes of printed papers and exhaustive discussions, of every subject and feature of our business; it is beyond the limits of even an ordinary review of the past history of this Association to specify all the finished compositions, the eloquent debates, and the sound doctrines laid down, often upon novel matters, and not infrequently has our membership courageously handled topics which have embarrassed, and also been turned down and avoided by older underwriters in older fields; we have completely reversed the old paradox, that "little things are great to little men." Our total membership has grown to manhood, and upon this, its twenty-first birthday, counts upon its roll one hundred and eighty active and seventeen honorary members.

In traversing the past solacing work of contributors, and which will be only generally invoiced by your reviewer, the record is a high tribute to the unselfish toil and painstaking effort of devotees. There is no stinting or holding back of ideas; no exiling or shirking of duty in any direction; no pressing to the front of immodest personalities in contributed papers; they "have given thoughts words, and words truth, and truth boldness." The committee reports and other voluntary essays annually delivered at our meetings are classified as follows:

Adjustment Before Loss.

Adjuster, The.

Adjusters and Appraisers.

After the Compact—What?

Ancient and Modern Policy Forms.

Apportionment of Loss Under Non-Concurrent Policies. Four Papers.  
 Attachments and Garnishments Before Proofs of Loss.  
 Automatic Sprinklers.  
 A Celebrated Case.  
 Adjustment of Book Losses.  
 A Talk.  
 Advertising.  
 Adjustment of Partial Losses.  
 Boiler Risk in Special Hazards.  
 Benefits of Fire Insurance as Collateral.  
 Benzine in Canning Establishments.  
 Board of Underwriters of San Francisco.  
 Breach of Trust.  
 Broker as Claim Agent.  
 Bureau System of Adjusting.  
 California Conflagrations Climatically Considered.  
 Cancellation Clause.  
 Circumstances Alter Cases.  
 Classification. Two Papers.  
 Coal Oil in Stores.  
 Co-Insurance Clause. Two Papers.  
 Collegians in the Profession.  
 Compensation to Sub-Agents.  
 Compact, The. Seven Papers.  
 Conflagration Hazard, The.  
 Co-Operation. Two Papers.  
 Credit Evil, The. Two Papers.  
 Co-Existent Fire and Marine Policies.  
 Counter Business.  
 Collect or Cancel.  
 District Insurance Law of Massachusetts.  
 Does It Pay?  
 Danger of Over Insurance.  
 Evils of the Agency System. Two Papers.  
 Evils of Open Insurance.  
 Ethical Shading of Depreciation.  
 Electric Light Companies.  
 Electric Stations.  
 Electric Wires.  
 Electric Lights. Three Papers.  
 Elements of Rating Hazards.  
 Estimate in Loss Adjustments.  
 Ethics of the Insurance Business. Two Papers.  
 Experiences of the Local Agent.  
 Electrical Impostors and How to Suppress Them.  
 Fire Hazard of the Electric Light.  
 Fire Departments and Water Supply. Ten Papers.

Fires and Their Causes.  
Fire Patrols and Salvage Corps.  
Forms of Policies. Fourteen Papers.  
Fraud, Misrepresentation, Concealment.  
From a Local Agent's Standpoint.  
Forty-Five Years Ago.  
Growth of Tariff Associations.  
Good and Bad in the Business.  
Garnishments Before Proofs.  
Hazards of Artificial Illumination.  
How to Advertise.  
Habits of Insurance Companies and Insurance Men.  
History of Local Companies.  
History of the Virginia City Fire.  
How to Inspect Electric Light and Power Plants.  
Intention to Cancel.  
Ills We Have, The.  
Influence of Association.  
Instinct in Underwriting.  
Insurable Interest. Two Papers.  
Insurance and the Press.  
Insurer's Liability of Buildings in Course of Construction.  
Is the Universal Mercantile Schedule Adapted to Coast Risks?  
Influences Prejudicial to Fire Insurance Interests.  
Inspections. Two Papers.  
Individual Benefits to be Derived from our Association.  
Insurance vs. Underwriting.  
Know Thyself.  
Legislation and Taxation. Twelve Papers.  
Looking Backward.  
Local Agents. Twelve Papers.  
Losses and Adjustments. Thirteen Papers.  
Little Fire Hazards and How to Prevent Them.  
Large Fires in American Cities.  
Machinery.  
Measure of Manufacturers' Damage.  
Microscopic Hazards.  
Motto for Insurance Men.  
Mind Our Own Business.  
Newspaper Press.  
Now and Then.  
'Nosin 'Round.  
Non-Cancellation Clause.  
Necessity of Classification.  
Over-Insurance.  
Organization of the Firemen.  
Our Penitent Brother.

Organization upon Broader Lines.  
 Observations.  
 Professional Errors.  
 Personal Friendships Among Insurance Men.  
 Practical Benefits of Co-operation.  
 Proper Vice.  
 Practical Application of Present Schedules.  
 Plate Glass Insurance.  
 Plea for Local Board Organizations.  
 Past Pleasures vs. Present Comforts.  
 Quartz Mill Hazard.  
 Relation of Photography to Fire Insurance.  
 Rates and Lines.  
 Science and Underwriting.  
 Should the Policy be a Contract of Absolute Indemnity?  
 Sparks and Spray.  
 Special Agents. Two papers.  
 Spontaneous Combustion.  
 Special and the Compact, The.  
 Statutory Requirements.  
 Suggestions Upon the Insurance Contract.  
 Southwest, The.  
 Some Aspects of the Theory of Lines.  
 Suggestions of a Newspaper Man.  
 Some Requirements of the Times.  
 Special Contracts.  
 Systematic Inspection.  
 The General Agent from the Special's Standpoint.  
 The Special Agent from a Manager's Standpoint.  
 The Special Agent from a Local Agent's Standpoint.  
 The Special Agent from a Special Agent's Standpoint.  
 Trials and Tribulations of a Local Agent.  
 The Association and the Compact.  
 Two Phases of Education.  
 The Arson Committee of the Board of Fire Underwriters.  
 Thoughts of a Hired Man.  
 The Underwriters' International Electric Association.  
 The Press As An Adjuster.  
 Underwriting from a Local Agent's Standpoint.  
 Underwriting from a Legal Standpoint.  
 Unconsidered Trifles.  
 Usages of Underwriting.  
 Use and Abuse of Compacts.  
 Value of Statistics.  
 Value of Bucket Companies.  
 What To Do When Books are Burned.  
 Wanderings.



Waiver and Estoppel.

Wheat and Fire Losses.

Written Part of the Policy.

What Do We Learn?

When Shall an Adjuster Decline to Make Proofs?

What the Times Demand.

We now come to the victorious "Knapsack," that storehouse of wisdom, wit and wonder! Those annual clusters of sparkling literary gems! That veritable conservatory of bright and cheering flowers of every pleasing hue! Born in 1879—conceived by C. Mason Kinne, and its contents appropriately applied by the brotherhood, to sandwich with its dryer subjects—to bedeck and adorn its stately proceedings and following out the treble simile to an end, to symbolize the blossoming and blooming of the inner life of this Association, however dark and whelming the thralldom of our outer lives may be.

Covering all kinds and varieties of themes—anecdotal, reminiscent, real or fiction, serious or humorous, in prose or poetry—members have heartily indulged themselves, in their short but pithy offerings from year to year, until this particular feature of our annual meetings has been properly and most firmly engrafted upon our proceedings—the opening of the Knapsack (the "haversack" is a better title) is like the rich wines at the feast:

"Whose glow was caught  
From the warmth which Fancy's summer brought  
To the vintage fields in the Land of Thought."

There have been three hundred and forty-four contributions to the "Knapsack" since its incorporation in the regular order of business.

Ripened reason, fresh and sparkling wit, racy personal experiences, crusty philosophy and epigrammatic poems, all revel in entertaining disorder throughout the olla podrida, driving away sullen care, jettisoning every cargo of heaviness, and perfecting "all hands" for the sumptuous banquet and good cheer which is always programmed to follow.

Summing up retrospectively the good that has been accomplished: your library crammed with original, breezy and reliable papers upon almost every subject incident to the business of fire insurance, your acquaintance-ship ripened into the strongest and most enduring personal friendships; the future almost discounted by the healthy advance made in the intricate science of your extra-hazardous calling. Surely you must be impressed with the fact that while the progress of our allotted time is silent and irresistible, yet have we already built a permanent monument to the general advantages of both social and educational co-operation. The fraternity of underwriter for underwriter! There can be no higher or nobler sentiment to animate the rank and file of this fickle and mutable profession, be he executive, adjuster or special. In this connection it is deplorable at this time to note that the companies themselves—our principals—

have for the past two years swung apart from all governing influences of concurrent work; the pall of leaden-eyed misadventures in repeated effort to restore a harmonious condition of things, hangs over the Coast business, and continually threatens even those safeguards the local agents themselves have wisely placed about their important interests.

When some underwriting Moses shall have delivered the Coast business from its present rapish and degenerate condition, supplanting it with connubial faith, individual trust and confidence, then will your labor be relieved of its present heavy drudgery; meanwhile, it is our constitutional duty to "promote harmony and good practice" among ourselves, and continue to strengthen those *personal* ties, that cannot be severed even with the last point finished upon our final trip card! Let us ever bear in mind

"Friendship standeth stiffly

In storms. Time draweth wrinkles in a fair

Face, but addeth fresh colours to a fast

Friend, which neither heat, nor cold, nor mis'ry,

Nor place, nor destiny, can alter or

Diminish. O, Friendship! of all things the

Most rare, and therefore most rare because most

Excellent: whose comforts in misery

Are always sweet, and whose counsels in

Prosperity are ever fortunate."

The incompleteness of this historic review would be more conspicuously manifest, if we failed on this occasion to reverently bow our heads and tenderly muse over those of our number who, in the ceaseless course of time, have executed their last order and passed to the impenetrable and unknown beyond: their lives and their end mirrorizes to those remaining the necessity of preparation to as bravely tread the same path they have only pioneered for one and all to travel.

"Voice after voice hath died away

Once in our dwelling heard."

## IN MEMORIAM.

### OUR DEATH ROLL.

Henry Balzer

A. J. Bryant

Z. P. Clark

C. W. Dohrmann

A. P. Flint

W. H. Holmes

J. A. Brumsey

Jno. D. Bradford

Howard F. Carey

C. P. Farnfield

W. W. Hanscom

C. T. Hopkins

S. O. Hunt	Bruce B. Lee
B. F. Lowe	H. L. Low
C. B. McHenry	Isaac Manheim
T. A. Mitchell	Henry Smith
A. A. Snyder	J. W. Staples
W. J. Stoddart	Frank H. Swett
Gustave Touchard	Alex J. Wetzlar

The beautiful azure above, that canopies both the living and the dead, betokens peace to our departed associates, and promise as well, to those constant mourners comprising the membership of this Association.

Respectfully submitted,

S. F. Feb. 14th, 1897.

L. L. BROMWELL.

The President—I am quite sure that nothing I could say would add to the pleasure which you have derived from the reading of this retrospect. Are there any remarks?

The next topic is one of particularly practical interest at this time—Local Board Organizations—which will be presented by Mr. H. M. Grant.

#### LOCAL BOARD ORGANIZATION.

*Mr. President and Gentlemen of the Fire Underwriters' Association of the Pacific:*

Once a factor in or an auxiliary to a central organization or compact, and then becoming as unimportant an adjunct to the central body as the vermiform appendix is to the human body, its formation becoming of so little importance in the general scheme of government as to be disregarded, although an intentional part of the general constitution, or even disdained in its presumptions by the central power, this despised or ignored thing in the past has by the mutations of time and the unfortunate crescendo of paresis by which the governmental structure has been by piecemeal rended instead of mended and made stronger, has now become the chief of the corner in the mental castle of salvation into which the fragments are hoped to be gathered and worked.

Time was when an organization of local agents for their mutual edification, for their estimated protection, for their concerted anticipated suggestions of wisdom as they saw it, a medium for the airing of their grievances, real or fancied, for their better acquaintance with insurance methods, and better acquaintance with insurance affairs, was frowned upon by the prime source of all powers, and under the frown it died, and died in the burning. It was dangerous, it was incendiary, it was preposterous, it struck at the very foundation of underwriting liberty and responsibility—it must not be

tolerated. *A bas!* the hydraheaded monstrous thing. A voice from Macedonia in these latter days now cries out, "Come over and help us, and save us, lest in our frantic course we plunge headlong into deeper and more dire destruction"; and a voice replies, or indeed takes the initiative in saying, "We will do it, for thereby we save ourselves from the ruin you have wrought upon us," and add with a wink of the other eye, "and we will drive a wedge to our own advantage, besides." Time was when intelligent agents banded themselves together in important towns for the correction of local evils and sought to build up a shelter against the then impending crisis which has broken upon us, as was notably done in Los Angeles and Portland three years ago. Reforms were made, but they were slow; other reforms were sought to be made, but they had the "manager" to run up against, the "member of the Union," who was by far greater than the agent, and needed benefits could not result. "In so far as your local board builds on lines we wiser ones have already drawn, so far will your local board be 'recognized' by the Union," an indescribable anointing with oil which so far made the local board sufferable. But these local men builded better than they knew, for out of the local board then brought into existence at Portland eventually grew, as general conditions continuously developed for the worse—out of it eventually grew that bulwark of defense against invasion and into which merged other local boards in the Northwest field, known as the Northwest Insurance Association, raised up in time of peril and need and welcomed, rather than simply "recognized" when the Union was beheaded, or lost its head, and a bulwark against which no assaults have prevailed, and which has so far proven a mutual salvation to agent and principal in these subsequent times when the agent has become by far greater than the manager. These illustrate the changes in the sentiment time and conditions have wrought, and it is good; the agent has grown, his status has received new recognition, his worth as an important factor in the preservation as well as the making of the business brought out from places where it was forgotten and hidden by the ponderosity and autocracy of the governing machine called the Pacific Insurance Union. But there is danger in the tendency, and better far were it that the governing and the regulating were done by and through a central organization less ponderous, more democratic, and through which the awakened sentiment of local agents' interest and prominence, and local boards' aid and worth will be remembered and preserved.

The jurisdiction of the local board or district board, independent of central powers, is now in the ascendant, and the conditions have created them, as all necessity begets some kind of invention. It is an axiom that the whole is equal to the sum of all its parts, so also it should be that the whole is like the aggregate of all its parts; but here we have an anomaly of no whole, but a number of parts, each unlike in some degree to the other, and more parts probably to be created. It is an anomaly, but there are a good many anomalous things in the business in these times. Let us hope that the several parts may coalesce and form a wholesome, homogeneous,



stately whole, that will roll on forever. Meantime let us look into the necessary structure of the elements of the now integral parts, which are to do their part until amalgamation "sets in;" consider their requirements and their benefits, their obstacles and their dangers.

The one prevailing impulse on the part of the agents composing a local board should be and should alone be, without hope of other reward or making entering wedges for other advantage, the preservation of the business in which he is engaged from demoralization, so that from his intelligent efforts directed to the pursuit of it he may derive a just and proper reward, the reward being the establishment, on a sound basis, not susceptible to disintegration of the business he develops, for the double purpose of desired stability and that upon it he may feel certain of being regularly remunerated therefor by means of a commission, at a consistent, living, business rate, upon such stable business, not adding the prospective eggs of the golden opportunity by contaminating it with the reserved hope of ability of insisting on increasing rates of commission. This means the placing of rates upon a fixed and mutually agreed basis, and upon such a basis as is governed by underwriting judgment and experience. This in turn means a great deal if to a local board alone is given the governing power, and in immediate practice would mean the acceptance of some formerly established rates, less some shading. It may be reasonably questioned why there should be an arbitrary shading, and how much of it. That is where great good sense must enter in and needs to be carefully weighed and considered. It is not sufficient that a hasty level scaling from former rates should be made. There is no reasoning in that. It is not shown that as a matter of fact they were exactly 20 per cent. or 25 per cent. too high before. Some were and some were not. In assuming this duty or opportunity of naming rates, why not do the whole thing, and fit the rate to the hazard. Otherwise, is not the local board a makeshift? It must be granted that it is, and intended to be, and rendered necessarily so by the conditions which prevent the management of these interests, by lack of agreement, by the company managers themselves. It may as well be granted, therefore, also, that a level scaling without reason or judgment is one convenient essential in getting started on a plan of local organization, as well as one penalty for hitherto disagreement, and the agent proceed on these lines, get some regular and enhanced rate fixed and adhered to as a starting point towards insuring the continued stability of the business. It should be no part of the impulse of the agent for local organization, the looking to it as a vehicle or entering wedge for a new and increased schedule of commission. It is not sufficient to argue that the company or manager content with 40 per cent. less rate than now under the new plan, should be content with a 50 per cent. raise of the commission allowance, and the interest of the agent thereby be further aggrandized. Such aggrandisement means defeat. The need is solely on the part of the agent in entering upon this plan of mutual protection, and helping those who could not help themselves to effect the stability of the business which

is his, from which to derive his stable income along lines of conservative expense to the companies. Otherwise it is not mutual, the plan of stability is defeated, the moral effect of the agents' desired help is lost; and defeat is as certain whether the temptation emanates from the agent or the manager.

The regulations of the local organization must be based on an acquaintance with and in harmony with the companies' conservative and rational desires, taken in their lucid intervals. The question of securing a large business "on their books" by the occasion of reduced rates, or of having no intercourse with this or that company, or its agents, that does not hold the same general confession of faith which this or that other one considers necessary for salvation, and other articles of dissent or belief are dropped in this plan for delegating governmental authority, and the sensible desire of deriving profit from the business made paramount, and should be equally put aside by the agent. The companies yet are a factor, and will withhold assent to injudicious strictures, but willingly subscribe to temperate methods, and find it to their interest to adhere to them even if not in full accord with them. There is need then of temperate conditions and firm ones as well, and a scrupulous enforcement of them, and the agent may do the rest.

It will be a mistake if in this legislation of the local board or district board the question of commission is not taken up and decided upon concurrently with all the other legislation. I should amend that by saying it would be the better part of wisdom if it were so concurrently decided, for it removes a vital element of future discord and possible disruption. I count it a mistake not to do so, yet the pros and cons of the subject need to be carefully weighed, and the pressing exigency of preservation of the business as a basis upon which compensation is to be computed must not be lost sight of, or lost hold of, in a vain attempt to regulate the compensation for it; but far better that both go hand in hand and the whole ailment of the body be administered unto out of the same medicine case. At any rate, let me suggest again that any local board can see rocks ahead if it entertains a reservation of compelling commissions at an inconsistent ratio by and by. Bring it to the light now if a feasible thing, and so strengthen the design and usefulness of the local board. A local board, divorced as it is from a central organization, must recognize its importance and realize its responsibilities, as it takes upon itself the duties and functions of a parent body. The able administration of the Northwest Association and the Montana Board, and the beginnings recently made elsewhere exemplify that it is so realized by them. It involves many things. Not the least is its recognition of the premium payer, who must have confidence in it. It is difficult to convince that the rates are no more than arbitrary, and they are not when shaved off from some others which have not been revised, and cannot be otherwise in the absence of concentration of plans in a central power which alone can possess to the fullest degree the requisite machinery to apply to varying conditions of various localities, and for the general benefits inci-

dent to all the features of the business, whatever may be the best form of such application. But the district plan involves the exercise of the proper discrimination and survey through competent officers, which should go so far as to revise and re-establish all rates in accordance with the individual hazard, be it greater or less than a flat reduction from former rates would make them. Other things, also, will satisfy the client that the local organization is right for him. He sees his fellow-townsmen working together for the preservation of their business, as he does for his own, and it appeals to him as sensible, and it is his fellow-men instead of some distant, mysterious power which has before admonished him to obedience through the automatic mouthpiece of the local agent, and it does not appear to him a combine or trust, but a business proceeding. It is necessary that he should also see that the organization has an eye to his interests, the sedulous effort for the improvement of risks by which the general hazard of the town is improved and through which his own rate is modified and lessened—attention to bringing about better status of fire protection and also a lessening of rate consequent upon it, and intelligent attention in every direction toward the general reduction of fire waste that the risk of his particular town and locality may afford the companies profit at the least reasonable expense to himself, an intelligent flexibility I mean, locally applied; or, in the absence of the possibility of such improvements, an apparent reason thereby why his rate was hitherto too low, or is now no more than adequate, the same as his charges are for flour and shoes. All these appeal to him as a man of business and popularize the idea of organization, rather than its being characterized as a trust, combine, or some other harsh name to be frowned upon and legislated against. All these things and much more in the same line are among the advantages of local organization, yet the question is open if all these good and essential offices for the conduct and safeguard of the business can and will be delegated to the local organization and put out from under the immediate government of the responsible heads of companies. Is it not expecting too much of the former, and delegating too much, and beyond the original province of saving the business from demoralization by pulling rates out of the hole which the offices themselves have confessedly declared they cannot of themselves find a way of agreeing to do? And yet, is not the fullest exercise of all that pertains to the business necessary for its good, whether such organization is local, in parts, or central as a whole? So then the need remains that these fragments of government be gathered into one central government, while yet the particular local government be preserved and empowered with certain rights of self government. An apt illustration, perhaps, that occurs to me, of this idea, is the relation of State governments to the government of the United States, and the constitutional law of the land, the individual local or district organizations, while maintaining local government and "State Rights," yet united under a general law and plan, governed by general constitution and comprising a congress of the several bodies, with the managers as the "upper house," from which emanate the general functions and administration, while the administration



under local conditions rests with the individual bodies. There would be no danger of secession of "States" under "State Rights" agitation, though there might be of overthrow of the Constitution. But what is good for several "States" or bodies is good for all localities united. Why not then make the whole the Union of all its parts, and administer the government through the one central body, delegating helpful authority in the government of local conditions.

To get back once more to our consideration of the requirements in local board organization which the present exigency and entanglement makes a present need. It may seem like reciting platitudes to say that, if the agent must so work out his own salvation, unity of purpose must be paramount, and individual faithfulness in carrying out that purpose, meeting and coping with incidents, differing opinions, as they occur, earnest in the preservation of the fabric itself, the organization. It must be earnestness, apathy will not do: interested effort upon the part of each and every one to hold on to that which they have got of this opportunity, and to improve upon it, heeding the fact that disorganization means relapse to chaos again and individual loss; that present greed and bad faith will be followed by disruption; that jealousies will beget strife and contention, and that harmony should be, and must be, fostered and guarded so that contention may not enter in and disintegrate.

These are essentials to preservation, pulling all together and meriting the confidence of the companies in the ability of the agents to afford the needed, the emergency solution of the problem by which the companies have allowed themselves to be conquered. And as to the companies, it is presumed that they coincide with the effort for local board organization and adhere to their promulgations made with temperance and conservatism—it is not to be expected that they will adhere to those made with intemperate exercise of power—but if individual companies become querulous, captious, restive, the organization should be strong enough to keep them in accord with the conditions and in adherence to them, else it is not strong enough to live, and the defect will be apt to be found in the organization itself.

By such organizations, the companies being helped to their feet, as it were, should take the reins and govern as a central power.

The local boards are formed, out of the emergency of the situation. Now, will they last, these independent bodies, these local organizations? I guess so. I hope so. They ought to until wisdom prevails and reason and good-will is restored toward their assimilation into one body. But will the faith and good works not preserved by fifty be better preserved by five hundred? Independent bodies revolving in space may fly off the tangent and collide with other independent bodies, and the whole constellation come down into chaos, unless there is a central sun powerful enough to attract and preserve the equilibrium and the orbit of all the bodies and the satellites. Let us have a sun!

H. M. GRANT.



The President—One gentleman has prepared a paper which is not on the programme, that will not take more than five minutes to read, and I will ask Mr. Palache to read it. "Small Loss Adjustments," by Mr. W. H. Gibbons.

Mr. Palache reads paper.

#### SMALL LOSS ADJUSTMENTS.

*Mr. President and Members of the Fire Underwriters' Association of the Pacific:*

There are some phases of the "small loss adjustments" which do not appear to have been brought into prominent notice in the many articles on the subject. While it has been frequently charged that small loss claims do not receive proper treatment, and many schemes for their improvement have been offered, but one seems productive of beneficial results, that is to raise them to the dignity of losses and adjust them.

While the principle of the insurance business being quite the same as that of any other business, taking in more than is paid out, the managers use different methods of accomplishing this end, as their individual judgment may dictate. Most of their efforts after building up a satisfactory income are directed toward decreasing the outlay for losses and attendant expenses. With this feature as affecting the smaller loss claims we shall have to deal.

With such losses the companies are apt to think it proper to secure their salvages from the expense instead of from the loss. Whether such economy be the true article is hard to say, and hence this paper.

The first question arising is in regard to the figures involved. By investigation we find that a large percentage of the number of losses are small, amounting to quite a good proportion of the amount paid for losses. Assuming that these losses are largely overpaid, but that the saving in loss expense is sufficient to offset the overpayments, the moral effect must be taken into consideration.

Men may be divided into three classes—honorable men, honest men and rogues. The honorable man will not steal at all, the honest man will not steal if he is to be caught, but the rogue will, of course, take everything in sight. In case of loss the honorable man wants what is due him, no more, no less, the honest man all he can get, and we all know the wants of the rogue. Under such conditions, does an affected generosity pay? The honorable man is not impressed. He simply asks for honorable treatment, so a magnified loss claim does not appeal to him. The company's action does not impress the other two; it merely increases their confidence in their own shrewdness, and creates a desire on their part to try such a gullible company again. Were it to stop there it would not be so bad, but their friends are advised of the conduct of the settlement, and more trouble is in store. Several times in my experience claimants have confessed that their exaggerated or imaginary claims were prompted by the

experience of friends who had been gladly paid excessive amounts by companies, and that they considered their course quite proper.

If such methods are as far-reaching in their effect upon small losses, may we not expect to notice their influence upon the larger loss claims, and carrying it still further, increase the incendiary hazard? Experience is always the best teacher, thereby making it extremely dangerous to show an illegitimate way of securing money.

Frequently matters are made worse by placing the companies interests in the hands of the local agent, who is supposed to act in unison with the experienced adjuster known to represent other companies. Such plan appears profitable for the office employing him, but instead of doing as is expected of him—protecting the companies' interests—he proceeds to tell the claimant, who is one of his customers, how much better and quicker the settlement could be made were the other fellow out of the way and he allowed to pay the full amount of the honest claim.

Unfortunately the consequences of placing these partial losses in improper hands seldom come to the notice of the powers that be, but are fully realized by the man who meets them in his daily life. For his sake and for the sake of the good conduct of the business, it would seem wise if the suggestions given here were investigated and acted upon by the exercise of greater care in the selection of loss representatives, who in their turn should confine themselves more closely to facts and figures.

W. H. GIBBONS.

The President—The Secretary will read the report of the Committee on Re-insurance Clause, appointed last year.

#### REPORT ON RE-INSURANCE CLAUSE.

*To the President and Members of the Fire Underwriters' Association of the Pacific:*

The undersigned, a committee of this Association to whom was referred the subject of the uniform re-insurance clause at the last annual meeting, has had a number of meetings and has given the subject careful consideration.

The judgment of your committee, based on its own sentiments and those of others with whom we have conferred, is that the subject placed in our hands is one which cannot be legislated upon successfully by our Association. The most that could be accomplished by the Association would be to make recommendations, and as we have encountered many well-rooted ideas and preferences on the subject among the different managers, we feel that your committee is practically powerless to effect the adoption of any particular uniform re-insurance clause, and therefore ask to be discharged.

Yours very truly,

BERNARD FAYMONVILLE,  
W. H. LOWDEN,  
T. EDW'D POPE.

The President—I am tempted to suggest that the discussion on the report and the proposed re-insurance agreement or clause submitted with the President's Address be deferred until the next quarterly meeting.

Mr. Wm. Sexton—As this is not a legislative body, I move that that go over until the quarterly meeting.

(Seconded and carried.)

Mr. Calvert Meade—There was a very able paper read yesterday, and there was no discussion upon it. None was necessary, but it was an able paper, not only for adjusters and special agents, but for local agents. I refer to that paper written by Mr. Thompson on Hop Losses. I would like to make a motion to this effect, that a sufficient number be printed by this Association and distributed among the members, as I think it will do a great deal of good.

(Seconded and carried.)

Colonel C. Mason Kinne, Chairman of the Committee on the President's Address, read the report of that committee.

#### REPORT OF COMMITTEE.

*To the President and Members of the Fire Underwriters' Association of the Pacific:*

GENTLEMEN:—

We, the Committee appointed for the purpose of reporting upon the recommendations contained in the address of the President and reports of the Executive and Library Committees, beg to state as follows:

The very able address of the President covers a wide scope, and affords much material for thoughtful consideration, but as we have to do only with the actual recommendations therein contained, we have confined ourselves to the expression of our views thereon.

WETZLAR MEMORIAL. We can add nothing to the graceful tribute paid by our President to the memory of our departed associate, and fully approve the recommendation that the memorial already presented by the committee appointed for that purpose be, as usual, published upon a separate sheet in the Journal of our Annual Proceedings.

RE-PUBLISHING PROCEEDINGS. We have carefully considered the recommendations of the President in this regard, and believe that the matter should be referred to the Executive Committee, with instructions to ascertain from the members the degree of financial support they may rely upon

before any steps are taken towards the re-publication of those of our Annual Proceedings which are now out of print, or of which we still possess but a very limited number of copies. In the event that sufficient interest is evinced to warrant the undertaking, we would suggest such re-publication, provided that the cost to the Association shall not exceed one-half the expense thereof, and that the prices to be charged for each volume of the Proceedings should be set at not less than one dollar each, for both the newly re-published and old editions still on hand.

CLERKS' ASSOCIATION. We are heartily in accord with the President's views upon the propriety of stimulating the enthusiasm of the members of the Junior Association, and trust that each year may witness an increased number of papers received from that source; but it is our opinion that nothing is to be gained by the giving of an award in the shape of a medal, and that sufficient honor and distinction would be conferred in the reading of the most meritorious effort before our assembled body, and its subsequent publication in the Annual Proceedings, the same to be determined by a previous submission of the same, without name, to a special committee.

FOREIGN ASSOCIATIONS. It is most satisfactory to note the extension of our relations with other societies of a character similar to our own, and we feel that the closer intercourse has been very largely due to the personal efforts of the President himself. We thoroughly concur in the recommendation that the Library Committee continue sending to such organizations exchange copies of our Annual Proceedings.

LIBRARY. It is gratifying to note the many improvements which have been instituted by our Library Committee, both as regards the method adopted for the preservation of our books and magazines, and the material addition to the attractiveness of our rooms. We are fully in accord with the recommendation of the Committee in reference to the purchase of some of the more recently published text books upon technical subjects, and suggest that the Committee be fully empowered to act in the matter, and that their draft upon the Treasurer for the necessary funds be honored upon presentation.

Respectfully submitted,

C. MASON KINNE, Chairman.  
V. CARUS DRIFFIELD,  
B. D. SMALLEY,  
E. L. THOMPSON,  
R. P. FABJ.

San Francisco, Cal., February 17, 1897.

Mr. Rolla V. Watt—I am in a little doubt about the meaning of that charge of \$1 apiece. Is that for each volume?

Colonel Kinne—It says for each volume.



Mr. Watt—You say for those that we already have and for those that we will have to reprint.

Colonel Kinne—In one case two were printed in one volume

Mr. Watt—There is no limit to what this might cost the Association. I don't know what it would cost. I suppose that that would be gone into.

The President—Not over \$100 a year.

Colonel Kinne—It is based upon the President's address.

Mr. Watt—I move the adoption of the report.

(Seconded and carried.)

The President—The "storehouse of wisdom, wit and wonder" will now be opened to us.

(Mr. George F. Grant reads the Knapsack.)

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## CALIFORNIA KNAPSACK.

VOL. XXI.

February 16, 1897.

NO. I.

The aim and object of the Knapsack is to promote harmony and good will within the Association, and board or no board, compact or no compact, it proposes to carry out its object, even if it is necessary to kill a member or two. There is good in everything, even in a kicker, and there is sweetness and purity in everything (when treated chemically), and if it becomes necessary for the Knapsack to cremate a fire underwriter of the Pacific, please understand that it is not for the fun of "burning him up," but for the purpose of purifying him.

It is claimed by some that the Knapsack is not run for profit—fallacious sentiment. It has profited many a contributor, and this year brings Charlie Hill prominently to the front in the Association with his admirable paper on "The Necessity of Revising the City Tariff." He wrote the same article in a condensed form for last year's Knapsack, and it was strangled at the printer's office by some crank and never saw ink. That was a good thing (for Mr. Hill), and whoever did it gave the members the pleasure of the more elaborate paper which deserved and received so much favor yesterday.

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Agent at Oregon writes from a woolen mill town: Please place this line of \$5,000 with some good company on stock of blankets, as per enclosed application. I would gladly give it to you direct, but notice by your letter of instructions that a blanket policy is prohibited.

He was a good fellow, a traveling special. He solicited the hotel risk of the landlord where he put up for the night. Landlord replied, "I am already insured."

"What rate do you pay?"

"Ten per cent."

"Ten per cent.? Why, man, you are being robbed. I am a special agent, with power to appoint agents, write policies and collect premiums for the best company in the country, the Centaur Company, sir, and I tell you ten per cent. is highway robbery. Let me see your policies." (Landlord brings policies and exhibits them, the Centaur policy appearing on the list.) "What's that," said the special; "the Centaur? that's my company, rate ten per cent. Well, well, I must examine this building; there must be something about it I don't understand." He examines the building, and then says to the landlord:

"I am a special agent with full power to act, and I tell you, landlord, there is more wood in this building than in any building of its size I ever saw. The rate is all right, sir; ten per cent. is a fair rate, a very fair rate—considering the wood."

One of our men complained about the office horse. Said he, "The beast will not go, and he won't stand still; you can't drive him straight, and he won't turn a corner."

"Has he ever attempted to roll?" I asked.

"Not yet, but if I tell him not to he will do it on the spot."

"Cancel and re-issue," I replied.

# SLANG.

"Are you with me?" as the match said to the kerosene oil can.

"Holy smoke," as the zephyr said when the church was burning.

"You are not in it," as the policy said to the acetylene gas permit.

"Drop on yourself," as the solicitor said to the detached rate.

"Go off and die," as the annual statement said to the closing year.

One question on the application of a saloon risk was answered thus: "There is no steam in the building except what is in the *beer*."

To the question, "Do you know of anything against the risk?" he replied, "Nothing but a frame wood shed with a tin roof."

After the last earthquake a building was renewed at the high rate of six per cent. because it had a "shake roof."

An intelligent insurance agent disputed a bill for mason work, taking the law of the case from his rate book.

The mechanic had first put in a stovepipe, but later replaced it with a chimney.

The rule reads, "When a charge has been made for a stovepipe, the charge for an artificial, stone, cement or earthenware chimney need not be added."

At last report the bill had not been collected.

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METAPHOR: (Assorted.)

"If we are not careful," said the eloquent speaker, "we will find ourselves in a quagmire where we will drift to destruction."

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Insurance is a game. It can be played by two or more persons, and the rules differ according to location.

The first player is called the assured.

The prize is called a risk.

The stake is called the premium.

The second player is called the insurer.

The betwixt is called a solicitor.

The between is called an adjuster.

The teetotum is called journalism, and the same can be introduced into the game at discretion.

The assured is the dealer and pays out chips, each player receiving chips according to the rules, but when the assured runs out of chips a new deal can be demanded. If any assured refuses to pay out chips, when in the game, he becomes "red slip," and another takes his place; the red slip cannot again enter without first paying a forfeit; the game terminates when the last assured declares himself out of chips.

The risk is an important factor in the game, but in certain localities it is considered of less value than in others; a cautious player endeavors to secure each risk singly, but if one is playing for high stakes the object is to possess quickly as many risks as possible; a cautious player, if skillful, can often obtain a better result in the long run by single risks with less danger to his chips; if a player be both careless and unskillful, there is danger that he may be absorbed by a winner, and thus lose his place in the game. The risks should be in plain sight of the players at all times.

Each player can select one or more betwixts, according to rules agreed upon before the game commences. Each player stands behind his own betwixt and pushes him forward into the game. When a betwixt secures a risk it is placed to the credit of the player who backs him, and the assured shall pay over the equivalent in chips.

The risk is said to be good when the "between" can find no flaw in it, but if a player accept a risk as good, which subsequently proves imperfect,

then he shall pay chips to the assured. If it is a fair game no player will know in advance the imperfect risk, but he shall have the privilege of inspecting it before he decides to take it in. A skillful player learns to know an imperfect risk on sight. If two players lay hold of the same risk they shall be allowed to pull for it, and he who has the greater pull secures it.

There can be many other rules, but it is a very pretty game as it stands.

### GIVE THE AGENT A CHANCE.

Our agent writes: I shall have a little over six hundred living risks on the books and several hundred that have died in the late war. With the aid of a tariff and a few compact rules I think I can raise the dead.

### TO THE PURE, ALL THINGS ARE PURE.

When asked if the stores were not used for a common purpose, he was quite indignant. "No, indeed," he replied, "the tenant is a most estimable man and keeps the best crockery and dry goods for miles around; he has caused arches to be cut between the rooms, and personally superintends his business."

### A PROOF OF LOSS.

A fire occurred in a building across the street from our risks and in due time our assured made a claim for loss, the same being itemized on his own bill head, as follows:

Room and Board by the Day . . . . .	\$1.00
Single Meals, Wine included . . . . .	25 cents

EVERYTHING STRICTLY FIRST-CLASS.

Suisun, Cal., Sept. 23d, 1896.

Messrs. Royal Insurance Co., of Liverpool,

To SUISUN HOTEL, Dr.

I. Buzzini, Proprietor and Manager.

Well Furnished Rooms.

Courteous Treatment.

Lost by Fire, Saturday, Sept. 19, from 7:50 P. M. to 10 P. M., Damage

11 comforters @ \$1.00 per each . . . . .	\$ 11.00
2 blankets @ \$2.50 each . . . . .	5.00
Damage carpet by running through halls, stairs, rooms, 123 sq.	
yds. of carpet at \$1.00 per yard . . . . .	123.00
Expenses to save building by help . . . . .	25.00
Loss of business by sending customers to other places, on account	
of no accommodation on account of fire . . . . .	150.00

\$314.00



Agent at Milpitas telegraphs: "Small loss on lumber. Needs measuring. Piles non-concurrent. Send Kinne rule."

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Our new special wires from Los Angeles: "Loss on stock books and stationery. Send immediately a copy of Lowden's 'Adjustment of Book Losses.'"

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"That's a very pretty apron you wear, Miss," said the Colonel, addressing a young lady at San Jose who had a silken star spangled banner covering the front of her dress, as the procession passed by.

"Yes," she answered, "that is my flag."

"Mine too; a glorious emblem," said the Colonel. "I have fought many a hard battle under that flag."

"Excuse me. Not *this* flag, some other flag," indignantly exclaimed the maiden as she turned away.

The Colonel took the train for San Francisco.

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The following was posted on a little church at Palestine, a colony near Fresno.

#### NOTICE.

There will be preaching in this church, Providence permitting, on Sunday next, and there will also be preaching here, whether or no, on the Sunday following, upon the subject: "He that believeth and is baptized shall be saved, and he that believeth not shall be damned" at precisely half past ten in the morning.

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The claim was on a two-story brick building; this building adjoined a one-story building, and the latter was totally consumed. When the two-story building was put up, the bricks could not be dressed on the outside until the wall reached a height above the one-story building. Claim was made for an entire wall, and to this day the owner (an estimable lady) believes that the heat from the fire *melted the mortar* which ran out from between the bricks of her building. One adjuster, two builders and three friends of the family failed to convince her to the contrary.

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Rock-a-by Compact on the tree-top,  
With adequate rules, you are built like a clock;  
When the rules break the Compact will fall,  
And down will come profit, rates, friendship and all.

Hey diddle, diddle, come guess me this riddle,  
Ye managers who hope to stay in.  
When rates are so low—loss ratios so high,  
Where does the Home Office come in?

Sing a song of low rates, managers full of grit,  
 Seven and sixty companies, net profit—Nit!  
 When the annuals are opened Home Office'll begin to sing,  
 "Isn't this a pretty mess"—"Let's stop this sort of thing."

Presidents in the counting room looking for the gain,  
 Stockholders sat and glowered, swearing might and main;  
 Manager, far away, was planning how to spread,  
 When down came a telegram and took off his head.

I asked my scholarly friend what he thought of the grammatical construction of the many circulars issued from a certain Compact office.

"Well," he replied, "at present the author could only be convicted of assault and battery, but last year he could easily have been found guilty of murder."

I once received a report on a small town. With one exception a most flattering report. There was one steam fire engine of modern make; one hose wagon; one thousand feet of hose; a paid chief; twenty-five volunteer members of the company, and steam always maintained in the boiler. But there were no iron mains, no hydrants, no cisterns, *and no water*, except for domestic use. Investigation followed. It transpired that the merchants of the town, in order to earn a reduction in rates, had subscribed and purchased the material of the fire department, and although water had not yet been introduced, the department was the principal feature of the Fourth of July parade. Rates reduced? Oh yes, the rates had been reduced.

I enclose you a contribution for the Knapsack, written by a personal friend of mine, who says the name "Palache" haunted him for five years, but that now he had eased his mind, just as "Twain" did when he wrote "The pink trip slip for a three cent fare," etc.

#### AN INSURANCE IDYL.

I tell you a tale of the days of old,  
 A tale that has never yet been told,  
 How Whitney Palache  
 Killed an Apache.

Kicking-Horse-with-the-mane-of-blue  
 Had a Wampum belt and a wigwam too;  
 So Whitney Palache  
 Approached the Apache.

"Pale-faced stranger, let me inquire  
 What happens in case of a prairie fire?"  
 Said the Apache  
 To Whitney Palache.

"Pieces of silver we give to you  
For your Wampum belt and your wigwam too;"  
So Whitney Palache  
Insured the Apache.

Now it came to pass in a year and a day  
That Whitney Palache was going that way;  
So Whitney Palache  
Addressed the Apache.

"Kicking-Horse, this day am I come  
To pick up the annual pre-mi-um!"  
Then the Apache  
Looked at Palache.

"Better run off for fear of your life,  
This is my sharpest scalping knife!"  
Growled the Apache  
At Whitney Palache.

"An Injun man is best when dead."  
This was all that Palache said.  
Then Whitney Palache  
Smote the Apache.

There is an occasional "happenstance" in this sun-scorched and blizzard-frozen section worthy even of being noted in the Knapsack.

We sustained a loss last week at a little town in Arkansas. It now develops that the small dwelling consumed was the property of a negro. It appears that he is a cook and secured a position in a neighboring town last fall, and while there conceived the wisdom of having his house burn up, upon which he had sufficient insurance to pay his mortgage and interest and leave him \$90. He therefore wrote his wife a letter as per enclosed copy. The letter was unclaimed at the post-office, and as he had used an envelope of his employer with a return card in the corner, the letter was "Returned to writer." This darkey having meantime left his position, the letter was opened by his former employer, and upon its contents being discovered was placed in the hands of a prominent attorney in the town where the darkey lived, and thus reached us.

This unworthy follower of our Lord returned to his home and carried out his own instructions, and is now threatening suit to enforce recovery under his policy. The enclosed is an exact copy of the original letter save the names.

OSCEOLA, ARK., 9-27, '96.

MISS RACHEL SNOWBALL,  
Oskaloosa, Ark.:—

My dear wife i received your kind letters today and i was glad to knoe of your Being well but i am not well i Roat you 3 letters and you say

you have not goot but 1 letter from me i don't see why you didn't get my Letters. Love i want you to burn up this Letter i think you had Better let the house get Burnt and then we will get some money out of it i think that is the Best thing to do But you get the things all out we can get \$90 and we can Build a house for that money i think is the Best thing to do it Rite now and you let me knoe you Be sure and Burn it up now Love you Burn the house up Love and we will save the place But if you dont we will louse it you be sure and do this Love i want to see you Rite bad i don't knoe what to do give my love to all Love i am sick Rite now But i am at work yet i don't no what with myself. Good Bye i will close.

Yours in christ

GEO. SNOWBALL.

### AS ONE LOCAL AGENT SEES IT.

Your favor of the 29th came to hand last evening, from which I learn that the Company has a representative in the *Pacific North West* YET, and that you are still willing to do missionary work amongst the heathen of this State. But I am very sorry to tell you that you are not in it at all. Your missionary spirit must become more aroused, and you become more in earnest; but from the tone of your letter I perceive there is a disposition to do the right thing at the right time. Yesterday morning a representative of another company came into our city and sought out their agent, and they have been engaged since in visiting their patrons and paying them a rebate from their conscience fund, figuring very close, being very careful to return the exact amount to each poor benighted victim. One merchant told me last evening that he had been offered 30 cents rebate if he would allow him to put a non-cancellation clause on his poll. Another one said he paid him a rebate of \$2.50 and that I must do as well. I told him there was nothing small about us except our commission, and that we *could* divide that if necessary.

Don't expect business from here.

### "A DREAM."

*My Dear Knapsack:*

I dreamed I was standing near the corner of California and Sansome streets talking with George Grant, when I saw the "Giant of my childhood," 20 feet high, 10 feet across the shoulders and one eye in the center of his forehead, marching along Montgomery, Pine, Sansome and California streets swinging his 10-foot club, and knocking insurance men right and left; he spared none, from the office boy to the President; all were meat that came under his club; he swept the streets, the air was full of hair, the sidewalks were ankle-deep with brains.

As he passed us I saw following him a "mob," "a howling mob," crying



out "Give it to them!" "Don't spare them!" "That is a good one"—as a blow from his club sent a leading manager's hair into the air, and his brains over a half acre or so of sidewalk. "Go it one eye!" "Bully for Cyclops!" "Bust a compact again, will you?" and as this mob passed us (this was a dream you know) I said, "George, this is dreadful." He said "Yes." I said "Do you see that mob stuboying that fellow on?" He said "Yes."

I saw, in the front ranks of that mob, numerous agents whose principal growl, when I was on the road, was the tyranny of the P. I. U. They could tell how they could hold their business if there was no compact, how J. Jones Knowitall, whose barn was as good as a dwelling, would insure said barn, if he could get a fair rate; and a lot of such rot—you have all heard it.

I saw in the next rank the "Special" who never took the off side, and was always ready to side in with the growling agent, and found it easier to allow five per cent. or so in postage to get a good business in a big agency, than to build up at fifteen per cent. straight.

I saw the manager whose jealous rivals credited his success in getting the best business in an agency to his loyalty to rates and independence of P. I. U. rules.

I saw a strange crowd bringing up the rear. They were armed with what appeared to be spears, with which they would jab at the hair in the air, and the brains on the sidewalk. Upon closer view, these spears were pens, marked "Coast Review," "Pacific Underwriter," "Adjuster," "Sun," "Monitor," "Standard," and others; a cloud of them too numerous to mention.

I pointed the Insurance men out to George, and asked him why these old "Manifest bad faithers" were so prominent and so noisy in that gang, and he said that it was because they were crooked; crooked people can't live in a fair fight, and are the first to *squeal*.

"Well," I said, "how about those insurance quill drivers, east and west; why are they so vicious, ours was not the first broken compact?" He said "No, it was not; but you know that when good people fall from grace what a howl society makes about it, while a common, every-day sinner can go right along in his evil ways without creating a ripple. We on the Coast had the best and the only unanimous compact organization that I ever heard of; other places have Boards and Unions, but invariably have a big non-Board, or non-Union element, while we had no non-Boarders; we kept up this compact for a dozen years or more and made money, and because it broke down, was worn out, maybe, we are howled at worse than if we were pirates, and while we are bad enough, we do not deserve the kicks we get from people who live in glass houses, and who should, instead of making matters worse, lend a helping hand to reinstate the compact."

I said "Yes; but, George! how do you account for the work going right along! Insurance men moving around on the streets! all, from managers to office-boys, at their regular work, and still their blood and brains are ankle-deep on the sidewalks?"

"Oh," he said, "that is all right, Bill—the business is running without brains nowadays."

I then woke up.

## KILLING NO MURDER.

IN THREE ROUNDS AND A WIND-UP.

### *Round 1.*

The heart of Waldorf Quigley swelled beneath his vest as he rode away from the broad acres of Jabez L. Hayward, situate ten miles due north of the bustling town of La Grande, in the Grand Ronde Valley, Oregon.

And Quigley deserved success.

At the early age of sixteen he decided to play a lone hand, and he played it boldly. He worked his way through the Gervais, Oregon, University, graduated with honor, and immediately went with the Farmers Mutual of Medford as special agent. With that company he did so well that he was offered a similar position with the Eagle of Hartford, and at the time our story opens he had just secured a promise of a desirable five years' ranch risk of the aforesaid Hayward (premium \$525.75), the policy to be written and delivered within two weeks.

And Quigley was happy.

One word about our hero. He had industry, confidence, ability, a clear mind in a sound body and had Heaven's best gift—good nature. In addition, he had fine magnetism and readily made friends with all kinds of people, with no discrimination against sex.

### *Round 2.*

(Ten Days Later.)

"Good morning, Mr. Hayward," said Pat Hexton, in a loud, ringing voice, as he alighted in front of Hayward's barn; "there is my card, sir. I am special agent for the Eagle Insurance Company of Hoboken, and have called to insure you. What are my chances?"

"First class," replied Hayward; "your man Quigley was here, and I promised to give my insurance to the Eagle—but why didn't Quigley come again as he promised?"

"Poor Quigley," said Hexton (as he caught on like a flash) drawing his handkerchief and pressing it to his eyes; "poor fellow."

"W-why, what's the matter?" asked Hayward. "Is he sick?"

"Worse than that: he's dead."

"You don't say so. That's too bad. Kind o' sudden' wa'n't it?"

"Very; the dear boy worked too hard: nervous prostration and heart failure. What a funeral we gave him! I found a memorandum about your insurance among his papers. The widow gets the commission on your premium, every cent of it. Shall I write it up?"

"Certainly; I'll give you two hundred down and a note for the balance. It's a doggoned shame that Quigley had to die. I liked that young fellow."

Hexton drew a blank policy, filled it up, attached a non-cancellation clause; accepted the money and a note, and drove away.

*Round 3.*

*(Four Days Afterward.)*

"Are you there, Mr. Hayward?" shouted Quigley at the barn door. Down from the hay loft came the honest farmer and started back in horror as he met the smiling gaze of the confident young special.

"W—who is it—not Quigley?"

"Yes, sir; here I am, right on time; and here's the policy."

"Why, ain't you dead? Your man Hexton said you was."

"Do I look like a dead man?" asked the astounded Quigley."

"N-no," said, Hayward; "but I'm doggoned if I understand it." Then he explained and showed his policy in the Eagle of Hoboken.

"My company is the Eagle of *Hartford*," said Quigley.

"Sure enough," said Hayward; "what'll we do?"

There was nothing could be done, and with a sad heart Waldorf Quigley departed.

Kind hearer, or gentle reader, as the case may be, this story has one merit: it is true.

THE WIND-UP.

In this, as in a scrapping match, with a fair referee, the better man finally wins.

Pat Hexton, the quick-witted and unscrupulous, now sells sewing machines, cash registers and Dickenderfer type-writers, and his life is filled with care.

Waldorf Quigley is the Coast manager for the Dublin, Glasgow & Sheffield Assurance Corporation, and draws his salary every month.

There is a good moral in this true tale. If any one needs it he is at liberty to take it.

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A PIETY HILL ADJUSTMENT.

The policy covered \$1,600, in favor of Mary J. Riley, "on her two story frame dwelling house situate on the north side of Porphyry avenue, between Quartz street and Bullion ravine, Piety Hill, Nevada county, California." The building burned last summer and an appraisement was entered into by Adjuster Anderson for the company and James Trevathan for the assured.

Anderson is a well-fed, warm-faced man of cheerful address, bold, shrewd and courteous.

Trevathan is a Cornish carpenter who sequesters himself, and makes

lump estimates by some long, mysterious process of wrestling with the lower mathematics. He is inclined to be stubborn, but is open to reason. Being of slow thought and speech, he is susceptible to the quick action of a brighter mind.

The efforts of the appraisers to "come together" were somewhat one-sided, as will be seen by the following:

"Trevathan," said Anderson, "why didn't you meet me here this morning so we could save time by making our figures together? I have nineteen adjustments on hand; appointments with five men and three women, and we haven't done a blamed thing. Say, old man, what's the matter?"

"I always figure alone," replied Trevathan, stolidly.

"Well," continued Anderson, "I see you make your total \$1,650. Do you know, I thought the building was over-insured? I'll take your figures on the lumber, but there's one thing I must say before we go on with this. I want to do just what is right and give Mrs. Riley every dollar she lost. I have a conscience in these things, and you know, Trevathan, we've sworn to be just to the best of our knowledge and belief, and I tell you frankly, that if I find your figures are too low on any item, I'll raise 'em. I make no secret of this. I shall do it, and the company will have to stand it. Ain't I right, eh?"

There was an air of frank good fellowship about this statement that had its effect, and the carpenter at once assented to the justice of the proposed line of action.

"And what's the damage for nails?" airily continued Anderson.

"Eighteen dollars."

"You can't build that house with eighteen dollars' worth of nails; it wouldn't hold together. We mustn't rob the poor woman. I'm going to raise that to *twenty-five dollars*. Isn't that right?"

Trevathan thought it was.

"Now that's the way to do business," said Anderson. "I believe in being fair and liberal. In fact, I never adjust in any other way. Maybe we won't need the third man. What next?"

"Carpenter work, three hundred dollars."

"What!"

"I make labor three hundred," said Trevathan.

"But *why* do you? My estimate is a hundred and fifty."

No answer.

"*How* do you make it, Trevathan?"

"I wouldn't do it for less," was the reply.

"Well, let's hold that for the third man; but before we pass to the next item I want to tell you a good one on an acquaintance of mine at Anaconda. He was going to get married, and one of his friends started a subscription to get him a wedding present. Among those he solicited was an employe at the smelter, who gave five dollars, and asked what the gift would be. 'We thought of getting him something useful as well as ornamental,' was the reply, 'and have about decided to give him a silver-plated



chandelier.' 'Don't you do it,' said the fellow, earnestly, 'there isn't a man in town can play on it.' Now; how many doors and windows have you?"

"Six doors and eighteen windows. Eight dollars a door and six-fifty a window."

"Um-m—that's steep. I can get the doors in San Francisco for five and the windows for four, but, of course, labor's high here. It always is in mining towns. How much did you allow for the work on the doors and windows?"

"Two-fifty a door, and two dollars a window."

"You're high, but we won't fight over it. I'll accept those figures. Now let's go back to the carpenter work. Does your item of three hundred dollars include all of the labor?"

"Yes."

"How about the work on the doors and windows?"

"Why, er-r-r, no, it doesn't include that."

"My dear boy, don't you see you've charged twice for labor? Now, while I know the work on the house ought to be done for a hundred and fifty, I'll yield a point there and be liberal with you. I'll say two hundred. Is that right?"

"Well, yes," said Trevathan.

"Say, did you ever hear this?" asked Anderson. "Referring to a suspicious fire, an honest citizen of hazy ideas was asked: 'What shall we do with the fire-bug if we catch him?' 'Why,' he replied, 'the *least* he can do is to marry the girl!' That's a good one, isn't it? Now, how much for painting?"

"Hundred and fifty."

"Too much. Here's an estimate of ninety-three dollars from Avery, Vandyke & D'Auber, the best painters in town. What do you say?"

"They *can't* do it for that."

"But they *will*."

"Then let it go at their figures," said Trevathan.

"I see," said Anderson, "that you've left out an important item, and I'm going to put it in, for right's right. I may lose my job, but I don't care. That's the gutter on the roof,—say ten dollars. Am I right, eh?"

"That's so; I forgot that," said Trevathan.

"Next comes the porch; what's your figure on that?"

"Eighty dollars."

"By the gods, old man, I *can't* stand it; I can't *stand* it!" said Anderson, rising from his chair and pacing the floor. "My estimate is forty. How do you make it eighty?"

"I wouldn't build it for less than that."

"But *how* do you figure it?"

There was no reply.

Anderson looked reproachfully at the carpenter and said in a deed, mellow voice: "I will concede at the start, Mr. Trevathan, for I know you

are a builder of large experience, that we must allow something for the porch, but we must not overlook the fact that most of it is standing, and while I do not claim that it is as good as it was before the fire, still it has a certain value as a porch, and just what this is, we are now to determine. At a later period we will consider its value as a part of the *daybree*. Now, come off the porch, old man; shall we say forty?"

"No."

"I won't go so far as to insist that the porch shall be left standing and the house built against it, although that could be done. Well, say forty-five."

"No," said the Cornishman.

"I won't stand more than fifty," said Anderson, "if we pass it to the third man; but I tell you candidly, Trevathan, I don't believe in making any more expense for the assured, than absolutely necessary. She has lost enough as it is. Shall we make it fifty?"

"Well, call it fifty," said the carpenter.

"Now, how much for the chimneys?"

"There's fifty feet," said Trevathan, "at a dollar a foot; that's fifty dollars."

"Too high, my boy, too high." It used to be a dollar a foot, but its six bits now. But let it go. How old was the building?"

"Nine years."

"What's the depreciation?" asked Anderson. (And here it may be remarked that everything depends on the style in which it is done. It is said that a certain great actor could repeat the word "*Mesopotamia*" with such exquisite modulation that his hearers would be moved to laughter or melted to tears. The elder Booth's rendition of the Lord's Prayer was most pathetic; and Anderson has the same gift of expression. His measured pronunciation of that simple word, "*depreciation*," and his eloquent exposition of its true meaning, have often brought deep sadness to many sensitive claimants.)

"Depreciation," said Trevathan, "*was* there any?"

"Certainly," replied Anderson, "the difference between old and new, you know."

"Oh," said the carpenter, "I don't think there's much, not more than five per cent., anyway."

"You're 'way off on that; you mean twenty-five, don't you?"

"No, five," repeated Trevathan, firmly.

"Mr. Trevathan," said Anderson, with dignity and decision, "I *never* will consent to anything less than fifteen, and when I make it as low as that I'm taking desperate chances of losing my position. The appraisalment may go in at five, signed by you and the third man, but it *never* will have my signature on any basis less than fifteen per cent. Never! so help me God, never! There's no man more conscientious than I am, and you must remember that we have taken a solemn oath to do our duty in this case, and if my experience is worth anything (and I believe I know my business)

fifteen per cent. is less than the damage to the house by the action of the elements, its occupancy by a family, and its consequent partial disintegration as a frame structure. Ain't I right?"

"Well, call it fifteen," said Trevathan.

"And now," said Anderson, "we have but one item left, and on that I'm sure we will think alike. What have you allowed for *daybree*?"

"For *what*?"

"For *daybree*."

"Mr. Anderson," asked Trevathan, cautiously, "what's your opinion?" (Anderson, by the way, speaks French like a native, and gives the true Parisian twist to all words borrowed from that language.)

"My estimate of the value of the *daybree* in this case is two hundred dollars."

Trevathan was puzzled. He evidently didn't know what was meant by that strange word, but would not confess his ignorance. After a long pause, he shook his head gravely and said: "I'll leave that to the third man."

"Before we do that," said Anderson, "let me give my views. The *daybree*, comprising the framework of the dwelling left standing, the porch and the chimneys, amounts to fully two hundred dollars."

"Why," said Trevathan, pulling himself together, "the chimneys are no good; the bricks are damaged by the fire."

"If they could be hurt by fire," said Anderson, "why do they use fire when they burn a kiln of bricks? Those chimneys are better than before the fire. The bricks are glazed and the mortar is hardened. If I owned that property, I would build my house against the chimneys; they *never* ought to come down."

"I'll say twenty-five dollars," said Trevathan.

"No sir, that wouldn't be fair to the company. I'm willing to give and take, and I ask you, Mr. Trevathan, to do me the personal favor, when this appraisal is closed, to tell Mrs. Riley as a matter of justice to me, that I acted fairly and without prejudice, and I believe you can honestly say that. Now, I'm going to name a figure on the *daybree* that will surprise you. I will say, in order to close the matter, and this is my lowest figure, —seventy-five dollars—there!"

"Well, call it seventy-five," said Trevathan, with an air of fatigue.

"And now, Trevathan, I will make the footing. The total is \$1,121.93, and I consider that a good, fair, liberal adjustment, for the building was over-insured and prices are lower now. Put your name right there, and we will all take a drink; but before doing that, I will take this occasion to say that I have made hundreds of adjustments on buildings all over the Coast, from Victoria to San Diego, and have figured with the best architects, builders and carpenters, and without flattery, I can sincerely say, "Trevathan, I never met your equal!"

As we passed out, Trevathan remarked: "Mr. Anderson, you said you might lose your position, but let me tell you one thing—you *never* will."

Anderson laughed and replied, "The trouble with me is that I'm too tender-hearted. I sympathize with the assured and it wears on me. When I went into this business a few years ago, my locks were as black as a raven's wing, and now look at them." He raised his hat and showed a fluffy head of hair as fine as silk and as white as snow.

EDWARD NILES.

### ELECTION OF OFFICERS.

Mr. Rolla V. Watt—I presume that it is not only a matter of custom, but the pleasure of this Association that our worthy Vice-President, who has served this Association for so many years in so many capacities, and who has done so much to make the Association what it is, should succeed to the office of President. I have great pleasure, therefore, in placing in nomination Mr. Russell W. Osborn for the office of President for the ensuing year.

There being no other nominations, on motion the nominations were ordered closed, and the Secretary was instructed to cast the ballot of the Association for Mr. Osborn for President for the ensuing year.

Mr. C. Mason Kinne—Following the ideas expressed by Mr. Watt, that it is customary and has become a matter of unwritten law with us, that the Vice-President should become President, and realizing that from this fact we should always be very careful who we nominate for Vice-President, and that if more than one are nominated we should have a selection, I desire to call your attention to the fact that we have with us one who has served us for several years in a capacity that requires much attention and a great deal of ability. A competent staff officer often assists a general to win a battle, and without the work that the Secretaries have performed for us in the past, like Staples, and Osborn, and Weinmann, I don't see how this Association could have gotten along as well as it has. I personally know, as well as does your retiring President, the vast amount of work that has been accomplished by Mr. Louis Weinmann, and I desire to place him in nomination for Vice-President of the Association for the ensuing year.



There being no other nominations, the same course was followed, and the President cast the ballot of the Association for Mr. Weinmann for Vice-President for the ensuing year.

Mr. Wm. Sexton—In the line of nominating one of the good men out of the 180—they are all good—I rise to nominate Calvert Meade for Secretary and Treasurer. He is well qualified for the position. He is so well acquainted that there is no need of saying anything in his favor.

(No other nominations, and same course followed.)

Mr. F. G. Argall—I believe it has been a certain unwritten law with us, or has been in the last two or three years, that the members of the Executive Committee should be residents of San Francisco. I think it is a good rule in many ways, applying both to the Executive Committee and the Election Committee, for practical reasons. But I hardly think it is well to follow that rule out in its entirety, for the reason that this is essentially a field-men's Association, and, so far as we can, compatibly with the effective work of the Association, we should recognize the men who are still the active field-men. There is one gentleman whose claims to the recognition of this Association I think will be unquestioned. I refer to Mr. Niles, who has done so much for our Association in an actual practical way, and furthermore in keeping before underwriters in other parts of the world the claim to "brains" that this Association undoubtedly possesses. He has represented those brains in a way that few of us could approach, but which has indirectly done us a great deal of good. I take a great deal of pleasure in nominating Mr. Edward Niles for one of the members of the Executive Committee.

(Seconded by Mr. Weinmann.)

Mr. John T. Fogarty—I take pleasure in placing in nomination for a member of the Executive Committee, a gentleman representing the specials in the northwest, Mr. R. P. Fabj.

DIAGRAMS OF TABLES AT ANNUAL BANQUET.

[illegible]

\*Unavoidably absent.



Mr. Osborn—I would like to nominate one who has faithfully served us in many respects—Mr. F. G. Argall. If it be inconsistent with principle, of course I would not care to urge it, but Mr. Argall being here, and the other two being absent, I suggest that he be made the Chairman of the Committee.

(Seconded by Mr. Weinmann.)

There being no further nominations, the nominations were on motion ordered closed, and the Secretary was instructed to cast the ballot of the Association for Messrs. Argall, Niles and Fabj.

Mr. Louis Weinmann—As I had much to do with the Election Committee during the year, and know very well that this Committee is an excellent one, I would make a motion that the Committee be re-elected in a body as they now stand. (Carried.)

Mr. C. Mason Kinne—Financial matters have always been considered at the end of the meeting, that is, that a warrant should be drawn upon the Treasurer in behalf of the Secretary for a certain amount. I now move that a warrant be drawn for the sum of \$100.

(Seconded and carried.)

The President—There have been ample evidences during this meeting of continual good fellowship. Let us go hence with the determination to do another twelve months of earnest effort for the common interest.

Mr. W. L. Gazzam—I move that President Folger be tendered a vote of thanks for the dignified way in which he has presided over our deliberations.

Seconded and put by the Vice-President and carried.

The President—I return you many thanks. My work will not end here, I hope.

On motion adjourned.



## THE ANNUAL BANQUET.

The annual meeting closed with a banquet as usual. It was a very enjoyable affair. The number present was the largest in the history of the Association. The following account of the banquet is taken from the Coast Review:

On the evening of February 17, at half past 7 o'clock, some eighty members and guests of the Fire Underwriters' Association of the Pacific seated themselves about the long and prettily decorated tables in the banquet room of the Maison Riche. The arrangement of these tables, and the names of those present, as seated, are printed herewith on an "insert." The old experienced dinner committee—old in service, not in years—George W. Spencer and Geo. F. Grant, received many compliments, as usual, for their good judgment in assigning every man to a place in a group of friends, and for their good taste in approving bill of fare and decorations. The jolly feasters, sometimes noisily, testified their approval of everything—orchestral and vocal music and meat and drink and speech, and especially the sentiment of Cofran's telegram from Chicago, "Drink with me, boys." Here, by the way, is the

## MENU.

## BLUE POINTS SUR COQUILLES.

*Sauternes.*

## POTAGE.

Tortue Verte Claire.

## HORS D'ŒUVRES.

Anchois sur Croutons,

Olives,

Caviar.

## POISSON.

Striped Bass a la Hollandaise,

Pommes Nouvelles.

*Cabernet.*

## ENTREES.

Filet Pique aux Champignons Frais,

Poulet Saute a la Bohemienne.

## LEGUME.

Asperges Nouvelles au Beurre Fonder,

Punch a la Romaine.

## ROTI.

Pigeonnauz Bardes,

Salade de Laitue.

*Champagne.*

## ENTREMET.

Biscuit Glace au Chocolat.

## DESSERT.

Fruits de la Saison,

Fromage,

Gateaux Assortis,

Cafe Noir.

Who was there? Look over our table-diagrams and see for yourself. The new names may surprise you. Father Staples was there, looking more vigorous than for several years past. There were guests from the Northwest, and from the Southwest, from Denver, from Chicago, from New York, from Hartford. There were San Francisco managers whose heads are gray. There were young special agents whose upper lips are still "downy." There were men who look "just like" somebody else. For example, "Li Hung Chang" was there, and "Sol Smith Russell," and Brother Jonathan, and John Bull, and Unser Fritz.

President Folger was resolved to give the younger men a chance to be miserable in an attempt to think and speak "on their feet," and though the young men did not say much, there were so many of them that few older men were called upon. The young men acquitted themselves very well indeed, modestly, deprecatingly as it were, with brevity signifying wit. Mr. Staples' late arrival was a signal for a demonstration. Then Dinner Committeeman Spencer read a telegram from J. W. G. Cofran, authorizing the opening of another "case," and a return dispatch informed the Chicago man, late of San Francisco, that at a given hour, Pacific Coast time, all at the festive board would rise and drink a bumper to Cofran and family; and at that precise time, to the minute, with the resounding echo of popping corks, the banqueters rose as one man, and drank, and declared in stentorian tones that "he's a jolly good fellow," and the piano said so, and the trombone repeated it, and the piccolo endorsed it.

Now the boys began to grow mellow. Sauterne, cabernet and champagne and punch were followed by cafe noir, cigarettes and cigars, and everybody seemed happy, and the whole hall was full of curling smoke and the sound of laughter and the songs of the quartette and the accompaniment of the orchestra. The Old Fogey in the corner, however, fancied that the fun was not so spontaneous as in former years when there was a compact and the loss ratio was a great deal less; and in his matter-of-fact way, the O. F. noticed that the air was not so vocal as formerly with the sound of drawn corks, and he fancied the empty bottles looked lonesome. But he seemed lonesome in his views.

President Folger presided gracefully, with fit speech and timely reference. He had a good many names on his list, and most of the owners responded promptly, neatly and with dispatch. A congratulatory telegram was read from Messrs. Anderson, Fraser and Speyer, and later another telegram came from the Alameda County Board, likewise dining and winning itself. The quartette sang: "There was an old woman who lived on nothing but victuals and drink." The first man said so, and the second man repeated it, likewise in due order the third man and the fourth man, and then all four together, and then eighty voices joined in asserting that "There was an old woman who lived on nothing but victuals and drink."

The incoming president, R. W. Osborn, was introduced, and somebody meanly asked him to stand up—on a chair. He made a few remarks about the Association. Thomas S. Chard, of Chicago, said San Francisco—not

the fire underwriters—reminded him of the story of the bicycle rider who left his pneumatic wheel in the alley when he called upon Sally; and when he came out he saw a goat with distended sides, looking sick. Replying to a question, a grinning by-stander said the beast merely had "that tired feeling." And he had that feeling, after climbing California street that afternoon, in search of the golden gate. This was his first dinner with the Association since 1875. "You underwriters have been slandered in the East," he said. "You get together easily enough. Now stand together."

Mr. Osborn sang "Poor Jo O'Shady," as printed elsewhere, and everybody joined in the chorus. Mr. Callingham, who confessed himself no speaker, sang an old favorite song, instead of making the little speech expected, and everybody loudly joined in the refrain, "Let each man learn to know himself." Mr. Weinmann, the new vice-president, was dragged forth and compelled to submit to the ordeal of a speech. Mr. Argall, chairman of the new executive committee, was shown no mercy, either, and he was obliged to say something, protesting he had "no notice of this thing."

M. A. Bertheau's song, "Reveries," reprinted herewith, was greeted with shouts of applause, and cries of "encore." After repeating the song, bouquets were literally thrown at him. Mr. Purcell, of New York, after indulging in Geo. Grant's "appolinaris," was prevailed upon to make a few remarks. After referring to our glorious climate—for three weeks California had been raising an enormous crop of umbrellas—Mr. Purcell paid his respects to the Association, and complimented the members. He had never met jollier fellows, he said. Mr. Brewster, of Hartford, preferred to enjoy himself in silence. R. C. Medcraft referred to this as the sixth anniversary of his attendance at these banquets. H. E. Parkhurst, representing the Northwest Insurance Association, added his mite of testimony to the need of a central organization in San Francisco. Then when the quartette sang "Pretty Sally in Our Alley," and said and repeated that "she is a darling," and that there is "no lady half so sweet," everybody agreed with them, though we feel confident that none of the diners had met the lady.

Mr. D. J. Staples, who has been engaged in fire underwriting thirty-one years on this Coast, was sure that this was the best meeting he had ever attended; he said the banqueters were "a magnificent body of men"—and at this everybody sat a little straighter, and expanded his chest a little more, and looked very dignified indeed for a whole second. "But," continued the old gentleman, "there are signs of acting like school-children." Whitney Palache sang two songs, in excellent voice, namely, "They Fished the Stream" and "Brown October Ale." W. J. Landers, one of the original Virginia City members, made a few brief remarks, expressing himself in favor of these annual re-unions, because they round off the sharp edges of business contact. Reference was made to the lamentable rate war, which proves the need of a general compact. Later, W. J. Dutton made a few remarks on the same subject, and urged all to work for re-organization.

It was a late hour when the banqueters rose from the table, and later when a number of them missed "the last car" but missed not a single good story.

POOR JO. E. O'SHADY.

BY R. W. OSBORN.

If Sung to the Tune of "Sweet Rosie O'Grady" it will go.  
Not far away from where I do insurance as a trade,  
There works another 'surance man at cutting rates I'm 'fraid;  
He has a knife that is so sharp 'twill cut him to the bone,  
Just wait until you hear him from his private office groan.

CHORUS.

Poor Jo. E. O'Shady with his knife so sharp,  
Sings his song of "cut rate" unaided by the harp;  
Grief will come to him who fails to clearly see,  
That Jo. E. O'Shady is naughty, naughty as 'Shady can be.

—Repeat.

This same man he does not care how deep he'll cut the rate,  
His company stands back of him what 'ere may be his fate;  
So you can see that on the street a mighty man is he,  
To name the figure to which all the underwriters flee.

*Chorus and repeat.*

O'Shady does not stop to think that companies have souls,  
He seems to feel the "situation" he alone controls;  
But he will find that "there 'r others" that do likewise have the nerve  
To fight and cut the rates of all, and thus their companies serve. (?)

*Chorus.*

The next year came and rates went down still lower in the scale,  
The cutter felt his nerve give way, his face began to pale;  
Letters came to show dissatisfaction reigned at home,  
That Cæsar was not loved the less, but more they loved their Rome.

*Chorus.*

Like Cæsar poor O'Shady lost his head while in debate,  
Maintaining his position with the President sedate;  
Alas, the Board Directors found the profits were not there,  
And passed a resolution making vacant 'Shady's chair.

*Chorus.*

REVERIES.

BY MAX BERTHEAU.

Melody: "The Sidewalks of New York."

Merrily together sits a jolly crowd,  
Chatting, drinking, smoking; even praising loud,



How in spite of hard times and that merry war,  
They are getting premiums—but don't ask how big they are.  
Eastern, home and foreign companies,  
They all are cutting down the rates as well as salaries.  
Five cent lunches are now for the boys a treat,  
While the managers find a place for fifteen cents to eat.

All of us are weary, though some won't admit  
That it's surely 'bout the time when fighting should be quit.  
Some we hear still boasting of last year's result,  
Showing in their statements what amount of biz they held,  
And with all that, say they always showed  
The best intentions for a Union—But there is a road  
Leading from this world, far away from here,  
Paved with good intentions. Let us hope they won't go there.  
(*With Apologies.*)

California's record in the days of old,  
Showed the yearly premiums to be seven millions gold;  
But the last year's statement up to the thirty-first,  
It showed not quite four millions—for the P. I. U. had burst.  
Cut rates don't bring premiums, don't you see,  
It is the same thing with the babes, they don't grow on a tree.  
Some such new ideas, Oh! let them blessed!  
As in either case the "Good old way is still the best!"



## DEATH OF A. J. WETZLAR.

### RESOLUTION.

WHEREAS, *The Fire Underwriters' Association of the Pacific* has had its ranks broken by the death of Mr. Alexander Joseph Wetzlar, who passed away on the 21st day of April, 1896, after a long and painful illness.

RESOLVED, That as an Association we deeply deplore the loss of one so long connected with us, and we do hereby bear tribute to his great ability as an adjuster and his marked usefulness and high standing in his profession.

Mr. Wetzlar was born in Leipsic, Germany, August 15th, 1852, and came to this State in 1861. He graduated from the Latin Grammar and Boys' High Schools in San Francisco, and went to Sacramento when he was eighteen years old.

His connection with the fire insurance business began as a local agent in that city over twenty years ago, but finding the field restricted he moved to San Francisco in 1878 and introduced the business of an independent adjuster on this Coast, following his chosen calling most successfully until within a few months of his death.

He was most painstaking and untiring in his efforts to arrive at an accurate and just estimate of the losses entrusted to him, and leaves a record replete with bright and intelligent work, and an example or untiring energy which can never be forgotten by those who knew him.

In his profession he had no superior; as a man he was upright and honorable; as a citizen he was firm in his convictions; as a friend he was possessed of a willing heart and ready hand.

He took an active interest in the welfare of this Association, contributing many valuable articles to its literature, and in his death we lose one of our most earnest and faithful members. Not only ourselves, but the whole community will always regret the death of such a man as A. J. Wetzlar.

RESOLVED, That the heartfelt sympathy of this Association be tendered to the bereaved widow and friends of our late member.

RESOLVED, That the Secretary record these resolutions on the minutes of this Association, and a copy of the same be sent to his widow.

C. MASON KINNE,  
GEO. F. GRANT,  
R. H. NAUNTON,  
Committee.

## LIST OF MEMBERS.—FEBRUARY 19, 1897.

## ACTIVE MEMBERS.

- Agard, J. J., Special Agent, Hartford Fire Insurance Company.  
Anderson, Hugh, Adjuster, Salt Lake, Utah.  
Andre, A. A., Independent Adjuster.  
Argall, F. G., Assistant Manager, Manchester, Caledonian and American Insurance Companies.  
Ashton, Geo. F., Special Agent, Fireman's Fund Insurance Company.  
Bagley, W. H., Assistant Manager, North British & Mercantile Insurance Company.  
Bailey, A. E., Special Agent, Insurance Company of North America.  
Bailey, J. D., General Agent, Insurance Company of North America.  
Barnett, B. N., Adjuster.  
Bangs, Franklin, Assistant Secretary, Home Mutual Insurance Co.  
Bates, Leslie, Special Agent, Gutte & Frank's Agency.  
Beck, J. M., Assistant Manager, Fire Association of Philadelphia, Los Angeles.  
Beckett, L. J.  
Belden, H. K., Manager, Hartford Fire Insurance Company.  
Bertheau, C., Manager, Aachen & Munich and Hanover Insurance Companies.  
Bertheau, Max A., Assistant Manager, Hanover Insurance Co.  
Boardman, Geo. C., General Agent, Ætna Insurance Company.  
Boyd, H. C., Assistant Manager, Hamburg Bremen Insurance Company.  
Broomell, B. B., Special Agent, National Fire Insurance Company of Hartford.  
Bromwell, L. L., General Agent, Milwaukee Mechanics Insurance Company.  
Brown, Edward, General Agent, American (Phil'a) and Svea (of Sweden) Insurance Companies.  
Brown, A. M., General Agent, American (Phil'a) and Svea (of Sweden) Insurance Companies.)  
Brush, R. G., Special Agent, Liverpool & London & Globe Insurance Company.  
Burke, H. R., Special Agent, Royal and Queen Insurance Companies.  
Butler, Geo. E., General Agent, Phoenix Assurance Company of London, and Providence-Washington.

- Callingham, W. J., General Agent, Sun Insurance Office and Orient Insurance Company.
- Chalmers, W. L., Fire Insurance Adjuster, Portland, Oregon.
- Christensen, Chas., Manager American Central and St. Paul Insurance Companies.
- Cofran, J. W. G., Chicago, Manager, Hartford Fire Insurance Co.
- Conrad, J. G., General Agent, of Voss, Conrad & Co., Thuringia and Traders Insurance Companies.
- Craig, Homer A., General Adjuster, Pennsylvania Fire Insurance Company.
- Craig, Hugh, Manager, New Zealand Insurance Company.
- Danker, H., Assistant Manager, Transatlantic Fire Insurance Co.
- Deering, Chester, Special Agent, Pennsylvania Fire Insurance Company.
- Delafield, Robt. H., Special Agent, Norwich Union Insurance Society.
- De Lappe, R., Special Agent, Manchester, Caledonian and American (N. J.) Insurance Companies.
- Devlin, Frank J., Manager, Atlas Assurance Company.
- Dibbern, J. H., of Mannheim, Dibbern & Co., City Agents.
- Dick, B. C., Special Agent, Butler & Haldan's Agency.
- Dickson, Robert, Manager, Royal Exchange and Connecticut Insurance Companies.
- Donnell, A. C., General Insurance Agent, Okell, Donnell & Co.
- Dornin, Geo. D., Manager, National Fire Insurance Company of Hartford, and Springfield Fire & Marine Insurance Company of Massachusetts.
- Dornin, Geo. W., Assistant Manager, National Fire Insurance Company of Hartford, and Springfield Fire & Marine Insurance Company of Massachusetts.
- Driffield, V. C., Manager, Transatlantic Fire Insurance Company.
- Dugan, A. G., Kentucky, Special Agent, Hartford Fire Insurance Company.
- Dutton, W. J., Vice-President, Fireman's Fund Insurance Company.
- DuVal, W. S.
- Ecklin, Chas. C., Special Agent, Home Mutual Insurance Company.
- Edwards, L. B., Manager, Manchester, Caledonian, and American (N. J.) Insurance Companies.
- Eitel, Edw. E., Special Agent, Home Mutual Insurance Company.
- Fabj, R. P., Special Agent, Fireman's Fund Insurance Company.
- Farnsworth, Ed. P., Adjuster.



- Farnum, N. C., Special Agent, Home Mutual Insurance Company.  
Faymonville, Bernard, Second Vice-President and Secretary, Fireman's Fund Insurance Company.  
Fennel, Henry T., Special Agent, Palatine Insurance Company.  
Fogarty, J. T., Superintendent of Agencies, Royal and Queen Insurance Companies.  
Faw, Geo. E., Special Agent, Pennsylvania Fire Insurance Co.  
Folger, Herbert, Assistant Manager, Aachen & Munich Fire Insurance Company.  
Frank, Wm., General Agent, Gutte & Frank's Agency.  
Fraser, W. A., Special Agent, Royal Exchange and Connecticut Insurance Companies.  
Francis, Guy, Special Agent.  
Friend, W. H.  
Fuller, J. L., Assistant Manager, Norwich Union Fire Insurance Society.
- Gartner, A. F., Special Agent, Phoenix and Home Insurance Companies, Portland, Oregon.  
Gazzam, W. L., Special Agent, North British & Mercantile Insurance Company, Seattle, Wash.  
Gibbons, W. H., Special Agent, Edward Brown & Son's Agency.  
Gilcrest, Frank M., Special Agent, Royal Insurance Company.  
Grant, Geo. F., Manager, London and Northern Insurance Companies.  
Grant, H. M., Adjuster.  
Grant, Tom C., Manager, North British & Mercantile Insurance Company.  
Gunnison, A. R., Special Agent and Adjuster, Palatine Insurance Company.  
Greene, M. J., Special Agent, Continental Insurance Company.  
Grim, Alfred R., Special Agent, Aachen & Munich Fire Insurance Company.  
Gutte, I., General Agent, Gutte & Frank.
- Haldan, E. B., General Agent, Phoenix Assurance Company of London.  
Hall, O. N., Special Agent, Thuringia and Traders Insurance Companies.  
Haven, Chas. D., Resident Secretary, Liverpool and London and Globe Insurance Company.  
Herman, A., Spokane, Wash.

- Herold, Rudolph, General Agent, Hamburg-Bremen Insurance Company.
- Hewitt, Dixwell, Special Agent, Manchester, Caledonian and American Insurance Companies.
- Hill, Wm. H., Special Agent, Edward Brown & Son's Agency.
- Hillman, J. R., Special Agent, Royal Insurance Company.
- Holmes, Jno. M., Special Agent, Hartford Fire Insurance Company.
- Hopkins, W. B., Special Agent, London & Lancashire Fire Insurance Company.
- Hamilton, J. K., Special Agent, Insurance Company of North America.
- Halsey, H. G., Special Agent, Fireman's Fund Insurance Company.
- Hunter, R. D., Special Agent, Fireman's Fund Insurance Company.
- Hughes, Ed. O., Special Agent, Palatine Insurance Company.
- Ives, S. D., General Agent, Fireman's Fund Insurance Company.
- Jacoby, Franz.
- James, N. T.
- Jones, Alfred A., Adjuster, Vancouver, B. C.
- Kinne, C. Mason, Assistant Resident Secretary, Liverpool & London & Globe Insurance Company.
- Lamping, L. F., Special Agent, Thuringia Insurance Company.
- Lanktree, J. B.
- Lavery, J. G. Adjuster.
- Lockey, Richard, Adjuster, Helena, Montana.
- Lowden, W. H., Manager Norwich Union Fire Insurance Society.
- Laton, Chas. A., General Agent, Palatine Insurance Company.
- Leonard, Geo., Assistant Manager, Transatlantic Insurance Co.
- Lord, Leslie, Special Agent, Geo. D. Dornin.
- Macdonald, Wm., Manager, London & Lancashire Fire Insurance Co.
- Magill, A. E., General Agent, Phoenix and Home Insurance Companies.
- Mann, H. R., General Agent, Mann & Wilson's Agency.
- Manning, F. J. H., Special Agent, Palatine Insurance Company.
- Maris, Wm., Special Agent, Royal Insurance Company.
- Marshall, J., Jr., Special Agent, Robt. Dickson's Agency.
- Maxwell, J. D., Insurance Agency.
- McElhone, F. H., Special Agent, Fireman's Fund Insurance Co.
- McCarthy, Thomas, Adjuster.
- McKowen, J. H., Adjuster, Spokane, Wash.

- McVean, D., Special Agent, Transatlantic Fire Insurance Company.  
Meade, Calvert, Adjuster.  
Mel, Louis, Special Agent, Ætna Insurance Company.  
Mendell, Geo. H., Jr., Special Agent, Fireman's Fund Insurance Company.  
Merrill, M. H., Special Agent.  
Miles, D. E., Assistant Manager, London & Lancashire Fire Insurance Company.  
Mitchell, Geo. M., Adjuster, New Zealand Insurance Company.  
Morrison, Ed. C., Special Agent, Ætna Insurance Company.  
Medcraft, R. C., General Agent, Scottish Union & National Insurance Company.  
Morrow, J. H., Special Agent, W. J. Callingham's Agency.  
Mullins, C. F., Manager, Commercial Union Assurance Company.  
Naunton, R. H., Special Agent and Adjuster.  
Niebling, E. T., Special Agent, Commercial Union Assurance Co.  
Niles, Edward, Special Agent, North British & Mercantile Insurance Company.  
Nippert, Paul M., Special Agent, Home and Phoenix Insurance Companies.  
Osborn, R. W., Superintendent of Agencies, Pennsylvania Fire Insurance Company.  
Palache, Whitney, Assistant Manager, Hartford Fire Insurance Co.  
Parker, Chas. T., Assistant Manager, Palatine Insurance Company.  
Pope, T. E., Manager, Pennsylvania Fire Insurance Company.  
Paterson, A. R. D., Special Agent, Sun Insurance Office.  
Scott, Chas. O., Special Agent, Insurance Company of North America.  
Seaton, L. M., Special Agent, Fireman's Fund Insurance Company.  
Sewell, A. F., Special Agent, Northwestern National Insurance Company.  
Sexton, Wm., General Adjuster, Fireman's Fund Insurance Co.  
Sinclair, A. P., Special Agent, Phoenix and Home Insurance Companies.  
Smalley, B. D., Adjuster, Seattle.  
Smedberg, W. R., Smedberg & Mitchell's Agency.  
Smith, Ben. J., Special Agent, Robert Dickson's Agency.  
Staniford, F. C., Special Agent, Norwich Union Fire Insurance Co.  
Smith, C. W., Special Agent.  
Smith, H. Brownson, Adjuster, Dallas, Texas.

- Smith, H. H., Special Agent, Catton, Bell & Co.  
 Smith, Sidney H., Special Agent.  
 Spencer, D. A., General Agent, Westchester Fire Insurance Co.  
 Spencer, Geo. W., General Agent, Aetna Insurance Company.  
 Spencer, H. McD., Special Agent, Manchester, Caledonian and American Insurance Companies.  
 Speyer, Walter M., Special Agent, Mann & Wilson.  
 Spinney, Chas. S., Special Agent, Butler & Haldan's Agency.  
 Sprowl, E. G., Special Agent, Liverpool & London & Globe Insurance Company.  
 Staples, D. J., President, Fireman's Fund Insurance Company.  
 Stillman, A., Portland, Or.  
 Storey, Frank C., Special Agent, Rolla V. Watt's Agency.  
 Stoy, Samuel B., Special Agent, London & Lancashire Fire Insurance Company.  
 Stuart, C. A.  
 Tait, Chas. A.  
 Thomas, W. P., Superintendent of Agencies, Commercial Union Assurance Company.  
 Thompson, E. L. Special Agent, North British & Mercantile Insurance Company.  
 Thompson, Chas. R., Special Agent, German-American Insurance Company.  
 Thornton, A. W., Special Agent, Aachen & Munich and Hanover Fire Insurance Companies.  
 Tiedemann, Tudor, Special Agent, Scottish Union & National Insurance Company.  
 Turner, G. W., General Agent, Northwestern National Insurance Company.  
 Tyson, Geo. H., General Agent, German-American Insurance Co.  
 Tyson, R. J., Special Agent, German-American Insurance Co.  
 Young, Frank W., Adjuster, Denver, Colo.  
 Voss, F. G., General Agent, Voss, Conrad & Co.  
 Von Etlinger, A. T., Special Agent, Commercial Union Assurance Company.  
 Warren, Albert M., Special Agent.  
 Watson, I. S., Special Agent, Home Mutual Insurance Company.  
 Watt, Rolla V., Manager Royal and Queen Insurance Companies.  
 Webber, J. F. R.  
 Wenzelburger, A., Adjuster.



Weinmann, Louis, Assistant Secretary, Fireman's Fund Insurance Company.  
Westlake, W. B., Special Agent, Home Mutual Insurance Company.  
Wheeler, Dalton, Adjuster, Los Angeles.  
White, F. G., Denver, Colo.  
Whitley, N. B., Special Agent.  
Wilson, D. B., Adjuster.  
Wilson, J. Scott, General Agent, Mann & Wilson's Agency.  
Williams, T. H., Special Agent, German-American Insurance Co.  
Wright, Leslie A., Assistant General Agent, Sun Insurance Office.

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## HONORARY MEMBERS.

Bigelow, H. H., Adjuster, San Francisco.  
Brodrick, W. J., Insurance Agent, Los Angeles.  
Carpenter, E. W., San Francisco, Cal.  
Conroy, T. J., Hartford Fire Insurance Company.  
Carey, Jas. A., San Francisco.  
Dudley, W. W., Manager, Manchester Fire Assurance Company, Chicago.  
Edwards, J. G., Publisher Coast Review, San Francisco.  
Garniss, Jas. R., San Francisco.  
Houghton, J. F., San Francisco.  
Hine, C. C., Editor Insurance Monitor, New York.  
Jack, A. Hill, General Manager, National Insurance Company of New Zealand.  
Kirby, D. L., New York City, 51 Cedar St.  
Low, Geo. P.  
McLellan, G. F., Insurance Agent, Los Angeles.  
Mohrhardt, E. F., San Francisco.  
Neal, Robt. W., San Francisco.  
Nichols, C. M., San Francisco.  
Olmstead, W. N., 62 Cedar Street, room 10, New York.

Parkhurst, H. E., Surveyor, Northwest Insurance Association.

Porter, F. H., 303 California Street, San Francisco.

Smith, A. D.

Story, Chas. R.

Winne, Peter, Helena, Montana.

One hundred and-eighty-one Active Members.

Twenty-three Honorary Members.





# FIRE UNDERWRITERS' ASSOCIATION

OF THE PACIFIC

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Vice-President	-	-	-	-	-	-	LOUIS WEINMANN
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